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Toxic dilemma

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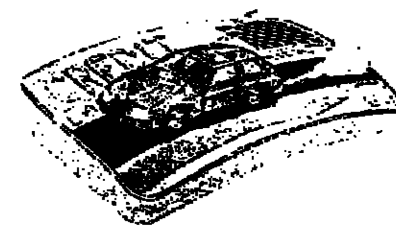

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World Business Newspaper

THURSDAY OCTOBER 26 1995

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Kerkorian seeks three board seats at Chrysler

US investor Kirk Kerkorian yesterday revived his attempt to gain influence at Chrysler by proposing that Jerry York, vice-chairman of his investment vehicle, Tracinda, join the car manufacturer's board with two other people "to be mutually agreed on." In a letter to Chrysler, Tracinda also said it believed a committee of outside directors should be appointed to review the appropriate size of Chrysler's cash reserves. Earlier this year, Mr Kerkorian failed to win backing for a planned offer for Chrysler.

Bosnia talks put back: Washington agreed to postpone next week's Bosnia peace talks by a day so the leaders of three ex-Yugoslav republics have time to meet Russian president Boris Yeltsin. The move reinforces the impression that the US and Russia, sometimes sharply divided over Balkan policy, are now keen to work together. Page 2

González to stay on despite budget defeat:

Spain's Socialist minority government met an expected defeat in parliament when congress voted to send the 1996 draft budget back to the government. Despite the Socialists' first serious parliamentary reverse in 13 years of power, prime minister Felipe González (left) resisted calls to bring forward the general election he had already promised for March. Page 16 Madrid stocks, Page 36

Marcos victory: Former Philippines first lady Imelda Marcos, who fled the country in disgrace in 1986, won the right to take her seat in congress. The supreme court rejected a protest by the congressman she beat in national elections in May. 'Reforms vital' for Philippine growth, Page 9

Britain to curb asylum seekers: British home secretary Michael Howard promised to crack down on "bogus" asylum seekers, but did not spell out what the government proposed to do. Page 10; Editorial comment, Page 15

Smiths Industries, the UK avionics group which supplies Boeing of the US, forecast that civil aircraft production would hit a 10-year low next year. The group boosted annual pre-tax profits by 17 per cent to £138m ($218m). Page 17 ; Details, Page 24

VW shares rise on results: Volkswagen reported nine-months net profits of DM185m ($133m) compared with a DM73m loss in the same period of 1994. The results underlined the German car maker's turnround and VW shares gained DM9.30 to DM434.80. Page 17; Lex, Page 16

French in $2bn China deal: A French-led consortium signed a FFr9.45bn ($1.93bn) deal to build a nuclear power plan in the southern Chinese province of Guangdong. French banks led by Banque Nationale de Paris are financing the Lingao plant at favourable rates. Page 4

Alcatel Alsthom in Havas plan: The French telecoms to engineering group plans to swap its FFr4.7bn ($960m) of print and publishing interests for a one-fifth stake in media and leisure group Havas, which said the deal would make it the world's fifth biggest publisher. Page 17; Lex, Page 16

Gadaffi relents: Libyan leader Muammar Gadaffi suspended his expulsion of thousands of Palestinians for up to six months, but insisted that up to 1.5m Arab and African workers must leave the country.

Britain expels Iraqi envoy: Britain is expelling London-based Iraqi attaché Khamis Khalaf Al Ajili for "activities incompatible with his diplomatic status". He is said to have gathered information to target Iraqi dissidents in the UK.

Cult leader sacks lawyer: The trial of Shoko Asahara, accused of plotting to murder thousands of Tokyo commuters, was put on indefinite hold. The Japanese cult leader fired his defence counsel in what appeared to be a deliberate delaying tactic. Page 9

Five die as train hits bus: Five American children were killed and more than 20 injured when a commuter train hit a school bus on a level crossing about 40 miles north-west of Chicago.

Unfinished business: Austria's parliament, dissolved two weeks ago after the government fell, is having to be recalled next month to push through urgent legislation. All five parties agreed that the dissolution of the assembly had been hasty and agreed to a special November session.

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	4,739.59	(-44.07)
NASDAQ Composite	1,028.78	(-10.76)
Europe and Far East		
CAC40	1,764.12	(+39.91)
DAX	2,150.13	(+36.53)
FT-SE 100	3,537.8	(+2.5)
Nikkei	17,970.81	(-43.44)

US LUNCHTIME RATES

Federal Funds	5⅞%
3-mth Treas Bills: Yld	5.368%
Long Bond	107$\frac{11}{32}$
Yield	6.295%

OTHER RATES

UK: 3-mo Interbank	6$\frac{25}{32}$	(6¾%)
UK: 10 yr Gilt	103$\frac{1}{32}$	(101$\frac{25}{32}$)
France: 10 yr OAT	102.14	(101.50)
Germany: 10 yr Bund	100.26	(99.95)
Japan: 10 yr JGB	112.248	(112.570)

NORTH SEA OIL (Argus)

Brent 15-day (Dec)	$16.07	(16.05)

GOLD

New York: Comex		
(Dec)	$384.5	(384.2)
London:		
close	$383.0	(382.4)

DOLLAR

New York: lunchtime		
£	1.57945	
DM	1.392	
FFr	4.9025	
SFr	1.133	
Y	101.2	
London:		
£	1.5795	(1.5815)
DM	1.3936	(1.387)
FFr	4.8967	(4.8737)
SFr	1.1349	(1.1301)
Y	101.3	(100.175)

STERLING

DM	2.2011	(2.1936)
Tokyo close:	Y 100.425	

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$20	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft215	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lw110.00	Iceland	IKr220	Nigeria	Naira90	Slovak Rp	Sk60
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	Kč55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta250
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.60
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 4.20	Syria	S£50.00
Finland	FM15	Kuwait	Fils.625	Portugal (mainland)	Es230	Tunisia	Din1.500
France	FFr11.00	Lebanon	US$1.50			Turkey	L80,000
Germany	DM3.60	Lux	LFr70			UAE	Dh12.00

European commissioner drops plans for book

Bjerregaard admits 'meet and tell' memoirs embarrassed colleagues

By Lionel Barber in Strasbourg and Hilary Barnes in Copenhagen

Mrs Ritt Bjerregaard, the Danish environment commissioner, yesterday abandoned plans to publish "meet-and-tell" memoirs which included unflattering remarks about European leaders.

She acknowledged that her planned diary, extracts of which appeared in the Danish press, had embarrassed her colleagues and the European Commission.

Aschehoug, the Danish publishers, put a brave face on the withdrawal of the book, 2,000 copies of which had been due to go on sale at the weekend at DKr200 ($37) each. Mr Karsten Blauert, an Aschehoug executive, would not reveal the terms of Mrs Bjerregaard's contract, but said the company would not be seeking damages from her.

After a meeting with Commission president Jacques Santer yesterday, Mrs Bjerregaard confessed to an error of judgment.

"Good friends have felt abused and deceived, and colleagues, with whom I relate well with in work, have felt that I was overstepping some limits. This I regret very much," she said in a statement.

"It is senseless to have my political work discredited by publishing this book. In the first instance the aim was to enhance public understanding of the work of the EU but in fact this had the opposite effect.

"Many will say that it is too late and the damage is done. Unfortunately I cannot change that but I can try to limit the damage."

Mrs Bjerregaard's diary contained disparaging remarks about Chancellor Helmut Kohl of Germany, President Jacques Chirac of France, Mr Felipe Gonzalez, prime minister of Spain, and Mr Santer whom she claimed had been ill-treated by Mr Chirac.

Mr Santer's initial response was mild put-downs of Mrs Bjerregaard, but he was later urged to take a tougher line.

Despite Mrs Bjerregaard's apology, questions remain about the payments she received for columns in the Danish press about life as a commissioner.

Mr Santer is expected to press her on this matter, while making clear that he intends to crack down on other commissioners suspected of receiving money for speeches, newspaper articles, or public appearances.

The European Parliament this week signalled its intention to withhold funds allotted to the Commission in the 1996 budget

Continued on Page 16

Japan's top companies fined for aid funds deals

By William Dawkins in Tokyo

Japan's most prestigious trading houses were among 37 companies yesterday fined Y169.5m ($1.7m) for forming illicit cartels to carve up contracts funded by the government's foreign aid programme.

The fine, levied by Japan's Fair Trade Commission, is the first aimed at leading companies using the country's foreign aid budget, the world's largest over the past four years.

The US and European Union have complained that Japanese companies get an uneven share of projects from the aid budget. The action by the FTC, criticised for failing to challenge the country's largest companies, may also help assuage criticism in Japan that the aid budget is not being spent efficiently.

While the fines are relatively low, they are a public mark of disapproval of bid-rigging by the 37 companies, including multinational traders such as Mitsubishi, Mitsui, Itochu, Sumitomo, Marubeni, Nissho Iwai, Tomen, Nichimen and Kanematsu. Three of Japan's top department stores, Mitsukoshi, Daimaru and Isetan, were also fined for being part of the aid cartel.

The action is the latest attack on cartels by the FTC, following heavy fines in the wake of bid-rigging among construction and civil engineering companies over the past two years. The increased vigour of the FTC reflects the growing political support for deregulation, a consequence of political change and recession.

Last year, Japan spent $13.46bn on foreign aid, of which about 80 per cent was untied, or available for projects by companies from anywhere in the world. The remaining 20 per cent, mainly grants and technical assistance, was restricted to projects by Japanese companies, such as the construction and supply of hospitals and schools. It was in this sector that the cartel uncovered by the FTC operated.

According to FTC evidence, from a raid on the companies' headquarters just over a year ago, they organised cartels for almost all contracts of Y5m to Y6m over seven years from 1987. The groups met in May and July to designate winning tenders and organise bids in a such a way as to ensure the contractor obtained the highest possible price.

Kanematsu, which received the largest single fine, of Y12.05m, is believed to have been one of the organisers of the cartel. The smallest penalty is Y700,000 to be paid by second-tier trading house Kinsho-Mataichi.

The system of allocating tied aid has been criticised by Japanese academics and politicians as encouraging companies to form cartels. The government sets the tied aid budget, but leaves it up to the private sector to suggest projects.

In many cases, companies have to propose aid projects themselves to win the contracts but are unwilling to waste the time and money put into preparing a project.

The bidding system is also far from open with contracts awarded only to companies registered with the Japan International Co-operation Agency, the foreign ministry's aid unit.

West Bank city celebrates taste of self-rule

A boy raises his arms to the sky amid Arab celebrations in Jenin, which yesterday became the first Israeli West Bank city to begin handover to Palestinian self-rule under a deal signed last month.

Israeli officers vacated the police station and hundreds cheered as Palestinian police, their assault rifles held high, arrived at a new Israeli-Palestine Liberation Organisation liaison office on the city outskirts.

Israeli officials said they would stay in control during a three-week transfer period.

Around 1,000 Palestinian police will be deployed in the Jenin district, occupied by Israelis for 28 years and home to nearly 200,000 Palestinians.

The first step towards handover followed last month's agreement to expand self-rule in the West Bank. Self-rule was introduced in the Gaza Strip and Jericho 17 months ago.

Mr Yassir Arafat, the PLO leader, speaking in Washington, predicted an independent Palestinian state within two years.

Photograph: Associated Press

Banco di Napoli announces $965m loss

By Andrew Hill in Milan

Banco di Napoli, one of Italy's largest and oldest banks, yesterday announced a first-half loss of L1,560bn ($965m), the heaviest in Italian banking history.

The loss, which compares with last year's first-half deficit of L169bn, comes after group losses of more than L1,100bn for 1994.

The bank said the losses were the result of a clean-up of its loan portfolio and denied reports that it was considering the sale of all its branches in northern Italy and abroad as part of a restructuring plan.

The Neapolitan bank said one of the principal aims of the plan, which would be implemented by the end of 1997, was to "obtain an adequate recapitalisation" of the group, but gave few details of how the aims would be achieved.

Loan write-offs during 1994 were supposed to enable the ailing bank to relaunch itself with a clean sheet. They were accompanied by the transfer of assets from the treasury, which owns 13 per cent of the 450-year-old bank, and a change of management, encouraged by the public sector foundation which controls it.

But the bank's directors, installed in April, said yesterday that the "careful work of reclassifying and valuing loans" was continuing and would eventually enable Banco di Napoli to relaunch itself and "attract public or private sector capital from outside".

There has been speculation in the last few weeks that the

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NatWest tests London role in European share dealing

By Norma Cohen, Investments Correspondent, in London

The London Stock Exchange's role as the European centre for international share dealing has been put under increased pressure by NatWest Securities, one of the UK's leading marketmakers, which said yesterday it intended to conduct far more of its business on continental bourses than on London's Seaq International system.

The move gives a public boost to the continental exchanges which, in an effort to win back trading in their own domestic shares from London, have modernised their technology and their rules.

NatWest becomes the first of the leading UK marketmakers publicly to question London's role as Europe's centre for international share trading.

Privately, other securities firms have also been questioning London's role in recent months as the efficiencies of competing exchanges have become more evident.

"Although London remains the most active trading centre in the world for European equities, we believe our clients can benefit significantly from the growing sophistication and transparency of local dealing systems in Europe," said Mr Joe Lafferty, NatWest Securities' managing director and head of equities.

Seaq International had been "a very useful service" when many local European exchanges were judged inefficient. "Today, however, we are finding greater efficiency in both cost and execution."

Mr Lafferty said the firm intended to take advantage of an EU directive which takes effect in January allowing "remote membership" of continental bourses by investment banks in other EU states.

In addition to its existing membership of the Paris and Madrid bourses, NatWest is in discussions about full membership in Sweden and the Netherlands and plans to apply to Frankfurt.

Until now, UK firms wishing to trade continental stocks have either had to set up offices in other countries and apply for membership or advertise their prices on Seaq International, the London exchange's electronic bulletin board for international share dealing.

But the continental bourses have been upgrading their systems while continental securities houses have become more willing to take large blocks of stock on their own books. As a result, liquidity in those markets has improved. Liquidity on Seaq International has declined in consequence, characterised by a widening of dealing spreads, the difference between the price at which a marketmaker offers to buy and sell the same stock.

In an attempt to counter this, the London exchange recently said it would set maximum dealing spreads for each stock traded on Seaq International.

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LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · NEW YORK · LOS ANGELES · TOKYO

Delay in Bosnia negotiations allows ex-Yugoslav leaders to meet Yeltsin

Balkan talks save Moscow's face

By Laura Silber in Belgrade and Bruce Clark in London

The US yesterday agreed to postpone by one day the start of next week's talks on ending the Bosnian conflict to allow time for the leaders of three ex-Yugoslav republics to meet President Boris Yeltsin in Moscow.

The announcement in both the US and Russia of a meeting in Moscow next Tuesday was a fresh sign that the two countries – which have disagreed sharply over Balkan policy at times – are now keen to work together over the issue. Mr Warren Christopher, the US secretary of state, said Washington was happy about the Moscow meeting, which will push the starting time for US-sponsored talks in Dayton, Ohio, forward to November 1.

The Moscow talks appeared to be a face-saving exercise for a Russian leadership pushed to the sidelines of the Bosnian peace-making process when Nato began its bombing campaign two months ago.

General Pavel Grachev, the Russian defence minister, left yesterday for the US where he will meet Mr William Perry, his US counterpart, for discussions on the role Russian troops might play in a peace implementation force. Nato officials said one possible formula would be a small Russian force, of 2,000 or so men, which would join up with the French contingent in Sarajevo and have a similarly semi-detached relationship with the Nato command.

> The meeting is a fresh sign of the desire of both the US and Russia to co-operate over an issue on which they have often disagreed sharply

General Leonty Shevtsov, a senior official of the Russian general staff, is currently paying an unusual visit to the Nato military headquarters at Mons, near Brussels, to discuss possible forms of Nato-Russian co-operation in Bosnia. However, Nato officials said there was little prospect of him making any progress unless a political understanding on the Russian role in Bosnia was reached by the US and Russian governments.

An agreement in principle was reached on this issue at Monday's US-Russian summit, but details were left unresolved.

President Yeltsin first proposed Moscow as the venue for a summit on the former Yugoslav crisis last August, after Zagreb's forces overran most of the Serb-held territories in Croatia.

However that proposal failed because Croatia's President Franjo Tudjman, under strong pressure from the US, declined to go to Russia, and Serbia's President Slobodan Milosevic was left to travel to Moscow alone.

In Belgrade yesterday, it emerged that Croat and Serb leaders from eastern Slavonia will meet for a third time this week to try to agree on the status of the Serb-held territory. An agreement would clear an important obstacle to mutual recognition between Serbia and Croatia and pave the way for a wider settlement in the region.

After meetings yesterday in Erdut, a Serb-held town in eastern Slavonia, Mr Peter Galbraith, the US ambassador to Croatia, who along with Mr Thorvald Stoltenberg, the UN envoy, has mediated the talks, said they would put forward a revised draft of the "eleven basic principles" which called for interim rule over the last bit of Croatia still under Serb control.

But Mr Milan Milanovic, the Serb representative at the talks, said: "The Croatian side was concerned with the territory and not the people."

Faced with a continuing campaign of harassment against the handful of Serbs who remained in Croatia after more than 150,000 others fled a Croatian offensive which crushed the rest of their self-styled state, Serbs are more convinced than ever that they cannot live under Croatian rule.

President Tudjman warned in New York yesterday, after meeting President Bill Clinton, that Zagreb would seize control of eastern Slavonia by force unless the two sides reached an agreement by November 30 when the UN mandate for the region expires.

Sweden sees no quick ERM entry

By Hugh Carnegy in Stockholm

Sweden's central bank said yesterday the krona remained undervalued, despite its recent strong increase in value, and indicated there will be no early entry for the currency into the European exchange rate mechanism (ERM).

"The krona is still undervalued," Mr Urban Bäckström, the Riksbank governor, told the annual meeting of the Swedish banking association. "We will go into the ERM when we are ripe for that. It is important that the krona is at the right value at the time of entry."

Speculation has increased in recent days that Sweden might soon seek ERM membership as part of preparations for joining European economic and monetary union, planned for 1999.

This was fuelled by comments last week to a Swedish newspaper by Mr Jacques Santer, president of the European Commission, stressing that the rules set out in the Maastricht Treaty for qualifying for Emu implied joining the ERM at the latest in early 1996 - two years before decisions are due on which countries will join Emu.

But both Mr Bäckström and Mr Göran Persson, the finance minister, said they believed Sweden could qualify for Emu without having first been in the ERM for two years. They said the important issue was that the krona had been stable for two years.

"It is stability that is the most important thing," Mr Bäckström said.

Both the government and the Riksbank are afraid that a premature fixing of the krona would expose the currency to a wave of speculative pressure from the financial markets, forcing an increase in interest rates and destabilising the economy. The krona has been floating since a previous attempt to peg it to the Ecu was broken by market pressure in November 1992.

The krona yesterday continued a recent strengthening trend, driven by growing confidence that the Social Democratic government's tough budget policies will stabilise the big state debt as early as this year. "We should be respected for the (fiscal tightening) work we have carried out," Mr Persson said yesterday. Stronger than expected economic growth has also bolstered confidence.

The currency has strengthened by as much as 10 per cent against some currencies in the past two months and was largely unshaken by runs against other vulnerable European currencies in recent weeks.

It reached SKr4.73 against the D-Mark yesterday, compared with levels well above SKr5.00 earlier this year. The index against the Ecu strengthened to 119.12 yesterday compared with 132 in early July.

EUROPEAN NEWS DIGEST

Danes advance telecom reform

Denmark's minister for research, Mr Frank Jensen, said yesterday that he planned to bring forward liberalisation of Danish telecommunications, including voice and data transmission and networks, from January 1 1998 to the middle of 1996.

The EU Commission has called on member states to bring forward liberalisation to 1996, but by including voice telephony in his plans Mr Jensen goes further than the Commission's recommendation. He justified his approach by saying that in practice it is impossible to treat voice and data transmission separately.

Mr Jensen has already put forward proposals on the regulation of telecommunications under a liberalised regime that tries to ensure new suppliers of services are not prevented from obtaining access to the infrastructure operated by TeleDanmark, the state-controlled monopoly.

Before Mr Jensen can go ahead with his plans, the minority government of which he is a member must obtain the backing of opposition parties. He said he hoped to have agreement before Christmas. *Hilary Barnes, Copenhagen*

Polish bank shares may end row

The Polish government is proposing to transfer the shares of several state-owned banks to pensioners and public employees to compensate them for pay and benefit cuts in 1991 and 1992.

The cuts were subsequently declared illegal by the courts and the treasury currently owes Zl 6.5bn ($2.7bn) in capital and interest as a result. Through this scheme, the government hopes to pay off this debt, speed up the privatisation of banks and capitalise pension funds.

The plans envisage the formation of two large banking groups centred on the Bank Handlowy and the PKO SA bank. Other banks – the Powszechny Bank Kredytowy in Lodz, the Pomorski Bank Kredytowy in Szczecin, the Bank Depozytowo Kredytowy in Lublin and the Polish Investment Bank – would be allocated to either one of these two lead banks. Of their equity, the government will sell-off 49 per cent but give 51 per cent to pensioners or public employees as compensation.

Those who receive the shares, possibly by the end of next year, will have to deposit them in pension funds, which are yet to be established. *Christopher Bobinski, Warsaw*

EU warns Slovakia over feud

The European Union yesterday intervened strongly in a bitter feud in Slovakia between President Michal Kovac and Mr Vladimir Meciar, the prime minister, expressing "serious concerns" over repeated government attacks on the president.

An EU troika of ambassadors in Bratislava issued a note to the government, noting "with concern the possibility that actions may be taking place against the president ... which could undermine the constitution and which are contrary to the democratic practices of the EU".

Mr Meciar has been seeking unsuccessfully for months to force Mr Kovac from office in a dispute which has poisoned the political atmosphere in Slovakia. "The EU attaches great importance to mutual tolerance and to respect for different sources of authority in a democratic society," the note said. The EU warned the government to "make further efforts" to abide by the conditions of its association agreement with the EU. *Vincent Boland, Slovakia*

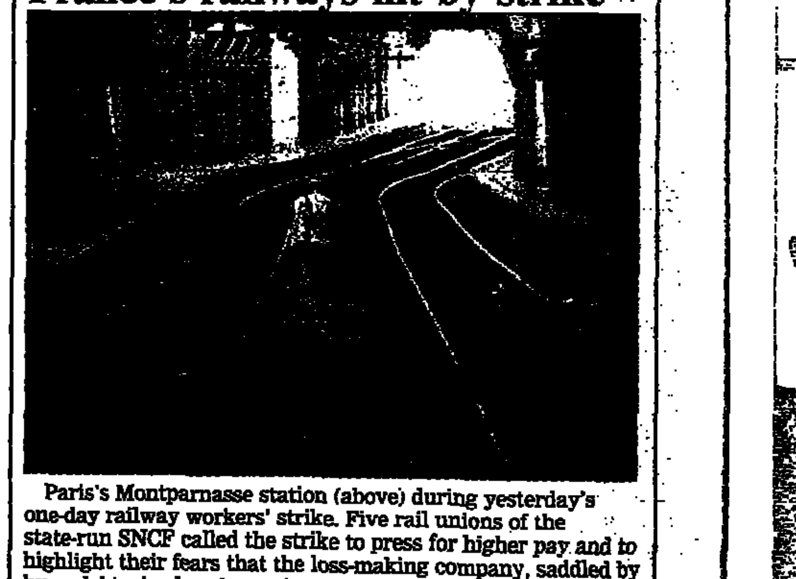
French arms industry on notice

Mr Charles Millon, France's defence minister, said yesterday that he would not tailor defence policy to bail French arms companies out of their financial problems, and rejected any immediate recapitalisation of Giat, the troubled state-owned tank maker.

The defence minister told the National Assembly that the financial situation of Giat was "very, very serious", but he insisted that Giat's new management first had to come up with a proper restructuring plan before the state would consider putting new money into it.

Giat is expected to lose FFr1.3bn ($260m) this year, and last year it posted a FFr2.8bn loss, including a FFr1bn provision to cover a foreign exchange loss it stands to make on its contract to supply the United Arab Emirates with the Leclerc tank. *David Buchan, Paris*

France's railways hit by strike



Paris's Montparnasse station (above) during yesterday's one-day railway workers' strike. Five rail unions of the state-run SNCF called the strike to press for higher pay and to highlight their fears that the loss-making company, saddled by huge debts, is planning swingeing cuts in the rail network by the year 2000. The Eurostar link between France and Britain, via the Channel tunnel, was the only main line unaffected. The SNCF said in a statement after a board meeting yesterday that it expected a loss for the year 1995 of between FFr11bn ($2.24bn) and FFr12bn. *Reuter, Paris*

Black Sea fleet's power cut off

The Black Sea Fleet has had its electricity turned off this week after the joint Russian-Ukrainian command ran up unpaid bills totalling 600bn karbovanets (around $3m). The 300-ship fleet, based in the Crimean city of Sevastopol, is the latest victim of the Ukrainian government's belt-tightening.

Sevastopolenergo, the local electricity supplier, says that the fleet's debt makes up half of its outstanding bills.

A Black Sea Fleet spokesman yesterday said the fleet was forced to use diesel engines to keep the lights on in shore offices. The spokesmen refused to say whether any nuclear devices in the fleet might pose a safety threat. Ukraine and Russia remain divided over terms for fleet's future division. More than 70 per cent of the vessels are in disrepair and the fleet cannot pay for maintenance. *Matthew Kaminski, Kiev*

Russia may need grain imports

Russia may be forced to import grain this year to feed its army, government officials said yesterday. Russia is facing its worst harvest in three decades, with an expected total of 65m tonnes of grain, down from 81.3 m tonnes last year.

However, Russian officials, eager to keep government spending within strict limits agreed with the International Monetary Fund, had publicly insisted that despite the poor crops Russia would be able to feed itself. Officials now appear to be relaxing that tough stance.

Mr Vladimir Shcherbak, deputy minister of agriculture, said that the government would need to import grain this autumn to feed the army and Siberian towns and cities. Other officials said that Russia might buy as much as 5m tonnes. According to diplomats, Russian leaders had already opened discussions about importing grain when a delegation led by Mr Victor Chernomyrdin, prime minister, visited Canada this month. World grain prices are at a 16-year high and could be pushed up further by Russian purchases. *Chrystia Freeland, Moscow*

Vranitzky calls on voters to reject far right

By Ian Rodger in Zurich

Mr Franz Vranitzky, the Austrian chancellor, yesterday called on voters to support his Social Democratic party in elections on December 17 to prevent the far-right party leader, Mr Jörg Haider, obtaining a share of power.

The Social Democratic party's coalition with the conservative People's party collapsed two weeks ago over budget negotiations, forcing national elections for the second time in 14 months.

Opinion polls both before and since the election was called indicate that the two coalition parties and Mr Haider's Freedom party each has the support of between 25 per cent and 30 per cent of voters.

The campaign has got off to a nasty start, with a flurry of fierce attacks by the leading politicians on each other and a fresh campaign of letter bombs, apparently planted by right-wing extremists.

Mr Vranitzky said his goal was to prevent the People's party and the Freedom party from obtaining a combined vote of more than 50 per cent. That was the only way to ensure that Mr Haider did not participate in government, he said.

Mr Wolfgang Schüssel, the People's party leader, has ruled out forming a coalition with Mr Haider, but has not excluded working with him in the context of a minority government.

"It is imperative that the Social Democrats are given a clear mandate if Austria is not to become the subject of a political experiment," Mr Vranitzky said.

He pledged to cut spending by slimming the federal bureaucracy, reforming the health service and pensions and closing tax loopholes, but gave no details.

Austria's budget deficit is likely to exceed 5 per cent of gross domestic product this year, and must be reduced to 3 per cent if the country is to qualify for membership of the single European currency.

Mr Schüssel launched his campaign on last Friday, saying that Austrians faced stark choices, and must sacrifice some entitlements if they were to remain in the European mainstream.

"Savings, iron-hard savings, have priority over further tax increases," Mr Schüssel said.

Any attempt to carry on with more of the same old remedies would lead to massive tax increases, lost jobs and economic opportunities and Austria's currency exposed to risk, according to his manifesto.

He pledged to eliminate 10,000 public service jobs in the life of the next parliament, thereby saving the equivalent of $500m.

Mr Haider has campaigned so far mainly against the two old parties, which he describes as "putrid with corruption and nepotism".

Last Friday, he returned to another favourite theme. Describing himself as Austria's "patron saint" against further immigration, he said at a press conference: "We support family reunification for immigrants – but in the immigrant's home country and not in Austria."

But he moved quickly last week to sack a Freedom Party parliamentarian who would not acknowledge the Holocaust. Mr Haider, who once praised the employment policies of the Third Reich, is occasionally accused of having neo-Nazi tendencies.

Russian 'criminal' list puts up for election

By Chrystia Freeland in Moscow

Russia's tentative efforts to build democracy suffered an embarrassing setback yesterday when the authorities released the names of 85 candidates in December's parliamentary elections who have criminal convictions.

The disclosure is likely to undermine further the already fragile faith of the Russian public in its elected officials. It will also help to confirm the widely held view that Russia's transition to democracy is allowing criminals to take over the country.

"It is possible that crime is penetrating the very fabric of our society, including government institutions," said Mr Yuri Vedeneyev, a member of the Central Electoral Commission, which asked the interior ministry to prepare the list. "Does our society have so few normal and decent people that electoral blocs had to turn to such social groups?"

But the government was immediately attacked for shoddy preparation of the report, which lumps together violent criminals with those imprisoned as political dissidents.

The list of "criminal" politicians, which ministry officials said was compiled without computers, also confuses several law-abiding politicians with eponymous convicts whose names were found in the state's musty card-catalogues.

But, despite the blunders, the report has already contributed to public pessimism about the prospects for a western-style democracy in Russia.

As Sevodnya, a liberal Moscow daily, observed: "What is happening in Russia is unique. Crooks have risen to power in other countries, but the elevation of criminals into rulers has always occurred in Asian societies. Al Capone never ran for parliament. Again, Russia is taking its own path."

Analysts also said the propensity of Russian criminals to stand for elected office highlighted a flaw in the country's political system which granted immunity from criminal investigation and prosecution to all elected officials and political candidates.

"The citizens of most democratic countries must wait to suffer the disappointments of a few elected officials becoming crooked and criminal until after they are elected to office," said Mr Michael Caputo, the Russia programme manager of the International Foundation for Electoral Systems. "But in Russia, the present laws encourage candidates with many years of experience."

According to the report, the political group with the most "criminals" is the Liberal Democratic Party of Russia (LDPR) led by the flamboyant ultra-nationalist Vladimir Zhirinovsky. Authorities said 12 LDPR candidates had criminal records. After initially rejecting the government's allegations, Mr Zhirinovsky dropped 11 of the 12, sparing one victim of mistaken identity.

Meanwhile, Mr Vadim Boiko, a liberal deputy, said yesterday he had been offered $1,500 for his vote over a contentious issue this summer. Many Russian analysts believe vote-buying in the legislature is widespread.

Russian defence minister Pavel Grachev arriving at a Moscow court yesterday for a libel case against a local journalist who accused him of buying a luxury car with army funds *Reuter*

Man who put cheer back in German Greens

Joschka Fischer's mainstream strategy has damaged the Social Democrats, writes Michael Lindemann

Just days after elections for the Berlin city parliament, Mr Joschka Fischer, Germany's most talked about Green politician, must be asking whether his revamped Green party may have been too successful.The Greens won 13.2 per cent of the votes cast, up from 9.2 per cent in 1990 and the second biggest gains after the Party of Democratic Socialism, the former east German Communist party.

More important, the party emerged as one of the few that is about equally represented in both west and east Berlin.

In the process, however, the Greens have in part contributed to the collapse of the Social Democrats – from whom they are estimated to have won 35,000 voters. The SPD is now so weak in Berlin that it is unlikely to opt for a so-called red-green coalition along the lines of those that govern several of Germany's states.

In Berlin the Greens appear to have benefited from an array of urban issues, ranging from environmental problems to kindergarten places, which they have proved adept at tackling. But the result is also believed to reflect the influence of the former Frankfurt taxi driver who now runs the Greens and is doing all he can to make it ready for government – not just in Berlin but also, he hopes, in Bonn after the next federal elections in 1998.

While he claims to be as radical as ever, Mr Fischer is also trying to teach his fellow party members a little pragmatism.

Just a few years ago he was demanding an overhaul of the tax system to take account of environmental factors, regardless of cost. Mr Fischer now accepts that this can only be achieved if it can be funded from savings elsewhere in the budget.

Talking to his voters at home in Frankfurt has convinced him, he says, that the German taxpayer will not accept any more charges after the costs resulting from German unification. "They have reached the absolute limit of what they will accept," he says. The message seems to be getting across and not just in the big cities. A recent opinion poll gave the Greens 13.2 per cent of the national vote, much of it at the expense of the SPD and the ailing Free Democratic party.

The Greens are also a younger party than the SPD and not heavily dependent on unionised, working class voters, a shrinking political species.

Meanwhile, the Green leader is turning his mind to the future of the European Union, which is to be discussed at the intergovernmental conference next year.

He is convinced that in the 21st century European countries will have to work more closely with one another to compete with the Americas and Asia.

That means, Mr Fischer says, that there has to be monetary union and for this to be workable it must be accompanied by a political union.

He also wants to see a European constitution that could in some way bring together the divergent views represented by the Union's 15 member states.

Mr Fischer's solution is to maintain national parliaments largely as they are, but to create a "first chamber" made up of the leaders of the national parliaments across the EU. That would be supplemented by an executive council of ministers based on the Swiss model, he says.

"It wouldn't then be a European union the way one sometimes imagines it," he said. "But things somehow have to move in that direction because I don't think Europe has a future as an economic community [only]."

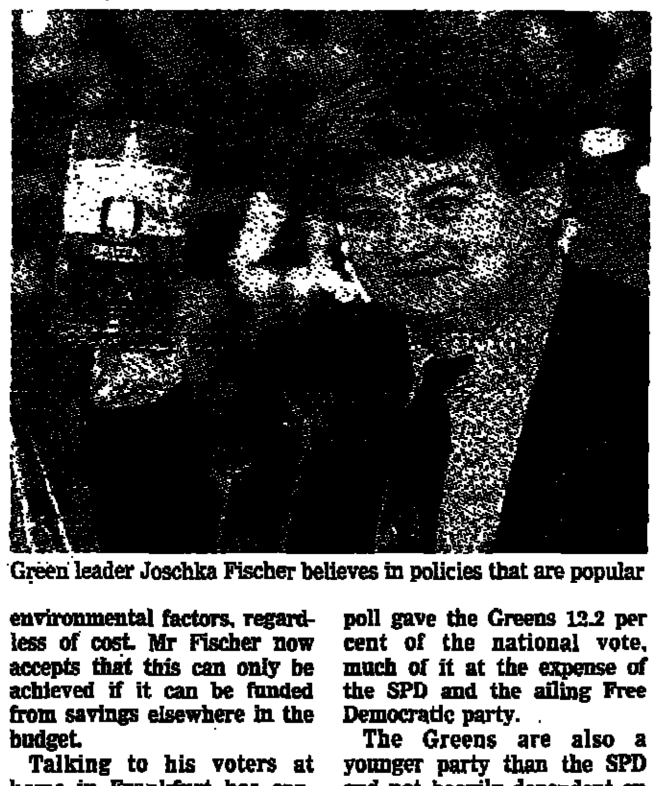
The fact that Mr Fischer is ruminating about the future of Europe is a measure of how far he has come.

But before he or his party can have any real say about the future of the continent they will need to retain their attractiveness to the electorate, keep their distance from the Bonn political establishment and hope that the SPD can keep up with them. While the SPD surveys the ruins, Mr Fischer is doing what he can to ready his party for government. In the middle of August he sprang a special report on party members, urging them to drop a full-blooded commitment to pacifism, another central tenet of party policy.

The fall of the safe areas in Bosnia demanded, Mr Fischer argued, that the Greens should be readier to condone the use of force in cases where that might save lives.

Germany's Social Democrats (SPD) are continuing to lose ground to the Greens in western Germany and to the Party of Democratic Socialism (PDS), successor to the former Communist party, in east Germany, according to an opinion poll published yesterday by the Allensbach institute, writes Judy Dempsey in Bonn.

In west Germany, where the Christian Democrats (CDU) remain the largest party, the SPD's share of the vote has slipped from 36.4 per cent to 30.1 per cent. Support for the Greens has surged from 7.3 to 13 per cent. In east Germany, support for the SPD has fallen from 31.5 to 22.4 per cent, while the Greens' vote is 9.4 per cent against 4.3 per cent.



Green leader Joschka Fischer believes in policies that are popular

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 596 4481, Telex 416193. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
GERMANY:
Responsible for Advertising: Colin A. Kennard. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International). ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: D. Good, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297 0621. Fax (01) 4297 0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.
SWEDEN:
Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

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German minister insists that next year's target can be met

Waigel pledge on budget deficit

By Judy Dempsey in Bonn

Mr Theo Waigel, Germany's finance minister, yesterday insisted that he would keep next year's budget deficit under DM60bn (£27.3bn) despite a sharp fall in tax revenue and additional expenditure required for unemployment benefit.

His determination reflects the government's aim of meeting the Maastricht treaty criteria for economic and monetary union, which restrict budget deficits to 3 per cent of gross domestic product. Germany is at the forefront in calls for European Union countries to stick to those requirements.

Officials indicated that the gap could be closed by accelerating the privatisation programme, cutting public spending, pushing some tax revenue back from this year's budget, and the impact of lower interest rates.

Mr Waigel was defending the draft budget before the parliamentary budget committee in the first of a two-day session paving the way for next month's second reading, or debate by the Bundestag, the lower house of parliament.

The Bundestag had already approved a first reading in July, but since then lower than expected economic growth forecasts for next year have depressed the outlook for tax revenue and dashed hopes for any large fall in unemployment.

Greenpeace activists unwrap a banner yesterday over a Bonn road bridge just before a visit by France's President Jacques Chirac. It reads: "Chirac, I am the state. I don't care about the rest of the world. Stop the nuclear tests." In an interview with French financial daily Les Echos, published hours before the Bonn meeting between Mr Chirac and Chancellor Helmut Kohl, French European Affairs Minister Michel Barnier said Mr Chirac was committed to meeting the EU timetable for a single currency in 1999. France believes it has a key role in deciding whether Germany remains committed to EU integration, said Mr Barnier. The Bonn talks come amid growing German anxiety that France is itself faltering on the path towards EU integration and lacks the will to make deep cuts in its budget deficit needed to join a single currency. *Picture: Reuter*

The government now expects tax receipts to be DM13bn lower than the original budget forecasts for next year. In addition, a slower than expected fall in unemployment will cost DM6.8bn more in jobless benefit payments.

Despite these shortfalls, Mr Waigel yesterday said the draft budget was "stable" and that he would not increase net borrowing.

"But how Mr Waigel will manage to keep net borrowing below DM60bn is anyone's guess," said Mr Holger Fahrinkrug, economist at UBS. "His options are very limited."

Ms Irmgard Karwatzki, a state secretary at the finance ministry, suggested a number of options for plugging the DM19.8bn shortfall during a heated debate on the public finances in the Bundestag yesterday.

These would include selling a substantial stake in the Postbank, the state girobank, moving ahead with privatising Lufthansa, the national airline, and selling property. The finance ministry said DM9bn could be raised in this way.

In addition, Ms Karwatzki said the finance ministry expected to bring forward into next year's budget DM2.6bn in mineral oil tax revenues which are due to be collected later this year. She also said there would be DM2.2bn savings in servicing the debt because of a fall in interest rates, and about a further DM5bn from cutbacks in the public sector.

Analysts said Mr Waigel appeared determined not to increase net borrowing because the markets would react adversely and he wanted to meet the Maastricht criteria.

But the opposition Social Democrats called in the Bundestag yesterday for higher net borrowing to prevent further reductions in social spending. Ms Ingrid Mattäus-Maier, the SPD's parliamentary economics spokeswoman and member of the budget committee, demanded that the finance ministry draw up a new budget. The proposal was rejected by Ms Karwatzki.

Finance ministry officials remain confident that Mr Waigel will be able to push the draft budget through its remaining Bundestag stages. But he could face resistance from the Bundesrat, or upper house, which is dominated by the SPD.

See editorial comment

EU ready to set fishing rules in western waters

By Caroline Southey in Luxembourg

EU ministers are today expected to agree measures to control fishing in the western waters of the British Isles, completing the terms under which Spain and Portugal gain greater access to the fishing grounds in January.

An official described the surveillance regime as "the last bit of the jigsaw" which is intended to preserve stocks and settle the furious rows that followed last December's agreement to give Spanish and Portuguese fishermen better access five years ahead of schedule.

Fishermen in south-west England attacked the plan because it gave Iberian boats access to the Irish Box – the coastal waters around Ireland. Spanish fishermen protested because they were refused rights to the Bristol Channel and the Irish Sea.

Spain and Portugal – excluded from some European fishing grounds when they joined the Union in 1986 – were due to gain greater access in 2001. However, this was brought forward when Sweden, Finland and Austria joined.

From January, 40 Iberian trawlers will be allowed to fish in the Irish Box. There is also likely to be an increase in boats fishing in the western waters, which extend from the northern tip of Scotland to north-western Spain. Originally limited to 150, half the then Iberian fleet, the numbers could rise above 200.

Member states have taken great pains to prevent any overall increase in fishing. The key to the strategy is a regime, agreed in June, which limits "fishing effort" by laying down the number of days a vessel can be active. This is designed to complement the quota system, set on the basis of historical shares of stocks.

"Although there may be more trawlers, they will still have to limit themselves to the set number of days of fishing," an EU official said.

The control measures expected to be approved today fall short of European Commission proposals. But a consensus has emerged on a three-stage approach which distinguishes between small and larger vessels, shorter and longer journeys and whether trawlers are operating in foreign or national waters.

On trips of less than 72 hours, vessels over 15 metres will have to supply a single detailed report of their plan before leaving port. For longer journeys, they must radio back more detailed and immediate accounts of their activities. Vessels operating in home waters will be the responsibility of member states.

EU agriculture ministers yesterday agreed a controversial plan which lets governments compensate farmers for losses resulting from currency devaluations in other member states, writes Caroline Southey in Luxembourg. A majority backed the plan after the inclusion of a clause aimed at ensuring farmers are not over-compensated. This obliges the Commission to reduce the compensation if devaluations are reversed after the initial payment has been agreed.

Member states may pay compensation out of national funds if they can prove farmers have suffered "considerable losses" from "significant currency movements" in other EU countries.

France, the driving force behind the plan, has maintained that its farmers have been hurt by cheap imports from Spain and Italy following successive devaluations of the lira and peseta.

How to beat the bureaucrats, Ukraine-style: employ them

The private sector is getting officials themselves to clear away the red tape, writes **Matthew Kaminski**

When Mr Yuri Yakovlev wanted to register his new Aeroprakt microlight plane design company last year, he was faced, as all Ukraine's businessmen are, with an impenetrable web of red tape.

So he engaged the services of a specialised dealer who, for the equivalent of $60 and no headaches, navigated the bureaucracy for him in five days.

"These people know the government," he says.

They should do. Many of them work there.

With salaries low and demand for business services rising, bureaucrats are beginning to play a part in Ukraine's growing shadow economy: they are working in a vibrant semi-moonlight industry that trades off the country's inefficient government. And who better to navigate the myriad rules or to know the right contacts than the insiders themselves?

"Business here is a fairly rough game," Mr Yakovlev says. "Call it a bribe, call it a commission, I don't know."

The firm used by Mr Yakovlev declined a request for an interview. But other newly opened private firms, which advertise widely in Kiev's two main business weeklies, admitted to furtively putting government workers on their payroll to get quick results.

One of these firms, Kons, charges the equivalent of $200 for registering a company. Mr Sergei Kirilenko, a lawyer who runs the firm, says that the hardest thing about doing business in Ukraine is getting started.

"We have good contacts in local authorities – our own middle men," Mr Kirilenko says. "These people get paid much better by us than the government. Without good contacts, you won't get very far – not in Ukraine."

Mr Alexander Hoffman, an Australian lawyer based in Kiev, says post-Soviet Ukraine lacks the legal establishment or the laws to do business by western rules. Kiev has one lawyer for every 5,000 people, he says, compared with one to 450 in the US. So others are stepping in to fill the void.

Bureaucracy was deeply rooted in Tsarist Russia as well as in the Soviet Union. And Ukraine's prime minister, Mr Even Marchuk, in a speech last month before the American Chamber of Commerce in Washington, acknowledged that bureaucratic obstacles remain.

At the same time, the growing private sector in turn poses huge challenges for the bureaucracy.

Mr Igor Martinyshyn, deputy chairman of Kiev's Moskovsky region, says two contradictory regulations – a parliamentary law and a cabinet decree – govern the registration of companies. His local authority chooses to follow the latter but, he says, it has been overwhelmed by the 8,000 new applications since 1991.

The "brokers" used by Aeroprakt and many other companies appeal to small domestic investors who have come to appreciate speed as the currency of a capitalist economy. Mr Yakovlev continues to use his broker as other needs arise.

The larger western companies can afford to employ former state officials moving into the private sector, an old practice in the US and Europe, but lawyers say the country lacks laws, or an enforcement mechanism, to prevent conflicts of interest.

Tebodin Ukraine, a Dutch engineering company, has operated in Ukraine for the past three years. Before starting a project, says Mr Richard van het Bolscher, managing director, "we hire a person we believe is important enough to assist us – someone who has good relations with the mayor or regional governor. It's quite an incredible system," he adds, "but we've gained enough experience to do it quickly."

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South Africa delays decision on sale of state enterprises

By Roger Matthews in Johannesburg

The South African government yesterday launched a six-month programme of public consultation aimed at gathering views on the future of state enterprises. Mrs Stella Sigcau, the minister for public enterprises, said no decisions would be taken on restructuring state companies, which might include partial privatisation, until the process was complete.

She said the government's aim was to transform the state companies into world-class enterprises. "We are talking about a programme that will deliver concrete benefits for everybody. Access to electricity, more and better telephone services, more extensive and reliable public transport, postal services that work, and greater choice in television and radio," she told a press conference.

The minister said this could be achieved through a number of options but that they would only emerge following the work of six teams appointed to review individual sectors and the process of consultation. Mrs Sigcau will head what she described as "a national road-show" that will visit many parts of the country, including rural areas, to talk to regional governments, trade unions, business leaders and the most disadvantaged communities.

"The whole process will be open and transparent. All ideas are welcome and no options are ruled out. We will find solutions unique to South Africa, rather than simply importing other models and applying them uncritically," she said. Although Mrs Sigcau said she was under pressure to produce results, the lengthy process outlined yesterday contrasts with the speed and determination with which new labour relations legislation was drafted, negotiated and passed by parliament earlier this year.

The difference may be that the trade unions – political allies of the senior governing party, the African National Congress – broadly supported the new labour law but are strongly opposed to any proposals which could be described as privatisation.

Officials working with Mrs Sigcau said yesterday that time was needed to address the issues in a way that would win popular support. Instead of talking about privatisation, employees will be asked whether they favour an injection of new capital, the introduction of more modern technology, and a better future for their company.

The prospect of creating jobs for the black community will feature heavily in the government's information campaign. Mrs Sigcau said the restructuring of state assets could help the growth of small and medium-sized companies, which would be of particular benefit to black business and the disadvantaged.

The minister said she was still considering the appointment of an economic and legal adviser to oversee the process, and had not yet selected any outside experts for which the cabinet has provided a budget of R10m ($2.7m).

She described their role as crucial, adding that she was gathering information from other countries on how they had reorganised their state sectors.

Mrs Sigcau added that where state-owned companies had already contracted outside consultants to advise them, this work would now become part of the overall process.

The teams set up to review individual state sectors are headed by directors-general from relevant ministries, with the significant exception of posts and telecommunications where Mr Pallo Jordan, the minister, has chosen to chair the group.

The possible partial privatisation of Telkom, the state organisation, has attracted considerable international interest but, in his public statements, Mr Jordan has appeared less than enthusiastic about overseas participation.

African regional stock exchange is proposed

By Joel Kibazo in Grand Bay, Mauritius

Mauritius said yesterday it had initiated talks on establishing a regional capital market and an investment fund for southern Africa, but the proposals appeared to meet with a lukewarm response from the Johannesburg stock exchange.

"Most of the markets in this region are very small and the best way forward is to set up a regional exchange," said Mr Rama Sithanen, the Mauritian minister of finance, speaking at the opening of the three-day annual meeting of the 15-member African Stock Exchange Association (Asea).

He said aid was drying up and the region needed to be "innovative and creative" about ways of attracting fresh funds to supplement traditional sources of funding.

He would not be drawn on the countries with which he had held talks so far, but admitted that both ventures would only be viable with the participation of the Johannesburg Stock Exchange (JSE). The JSE represents 95 per cent of the total capitalisation of the African continent's stock markets.

JSE officials seemed unenthusiastic at the prospect of a single regional stock market. Mr Roy Andersen, JSE president, said: "Instead of one regional market I see a route to automated reciprocity whereby companies are listed on, say, the JSE and a local market. This would at least help a company keep a local identity, important for privatisation stocks. The creation of a truly regional market would be difficult when exchange controls still existed in a number of countries."

African exchanges should concentrate on harmonising listing procedures and work on a detailed plan to establish a training programme for personnel and staff working on the various stock markets, Mr Andersen said.

At yesterday's opening ceremony, Mr Jimnah Mbaru, chairman of Asea, urged African governments to to protect property rights for both domestic and foreign investors. "No investor, domestic or international, will commit his capital on a long-term basis if this is not secured," he said.

Mr Mbaru said he was stepping down as chairman after three years and a heated closing session is expected tomorrow as delegates vote for a new chairman. Mr Andersen, one of two deputy chairmen, is said to be among the front runners to assume the leadership.

Tomorrow's meeting is also expected to choose the venue for next year's gathering. Nigeria has been campaigning hard to host the meeting, but diplomatic moves have been going on to prevent the meeting from being held in Nigeria because of its current political instability. Egypt and Zimbabwe have been suggested as alternative hosts.

Report confirms complaints by leading critics of world body

UN auditor criticises waste and bureaucracy

By Michael Littlejohns, UN Correspondent, in New York

The United Nations' internal auditor last night released a report detailing serious deficiencies in the world organisation, which will confirm the belief of the UN's harshest critics that it is wasteful and bureaucratic.

Mr Karl Paschke, the German head of the Office of Internal Oversight, said in the report that:

- The UN's bureaucracy had "grown without pruning".
- Its procedures were "too rigid".
- There was serious overlapping and duplication of responsibilities.
- Rules were too complicated and too many to provide proper guidance.
- The engaging of new talent was as difficult as it was to sack non-performers.
- There were not enough well trained, experienced administrators to staff positions such as those in peace-keeping.

An audit of the civilian sector of the peace-keeping effort in former Yugoslavia "revealed unnecessary, excessive and extravagant expenditures".

In Somalia, the UN paid 25 US cents a litre for water that should have cost 10 cents a litre, incurring an unnecessary $1m bill. Food rations there worth $1.5m were transferred to a contractor and costs were only recovered after an audit.

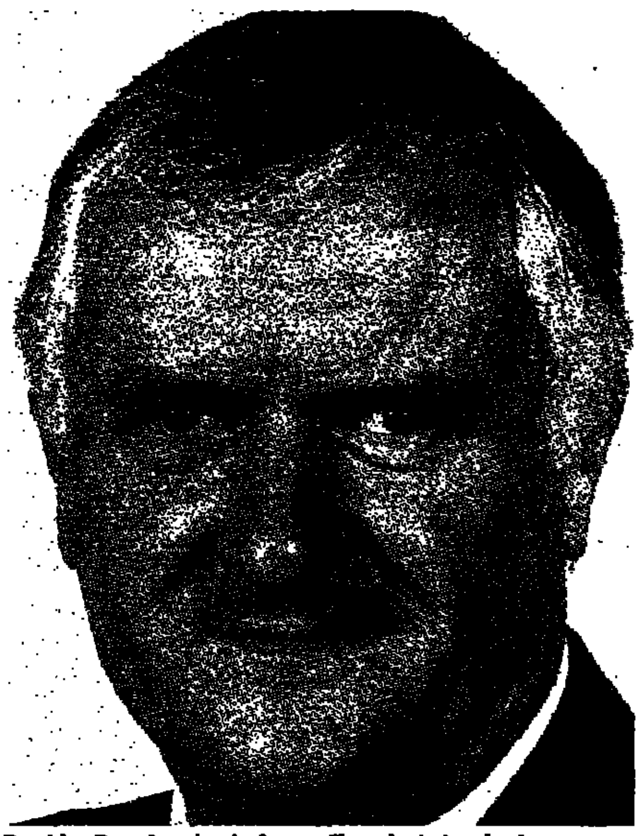
In the office of the UN High Commissioner for Refugees, there was "lack of accountability for expenditures" and an absence of optimal procurement.

The fault-finding litany continues with a call for urgent restructuring of the Centre for Human Rights and mentions deficiencies in "all phases" of UN procurement, including a lack of competitive bidding.

"More than 50 per cent of all audit findings reflect weaknesses in the internal control system," Mr Paschke says.

Part of the problem, he goes on, is the fact that staff stationed at UN missions away from New York lead a life of their own while staff drawn from 160 different countries have "quite diverse perceptions of public service."

The report will be grist for the mill of a hostile US Congress while clearly justifying the Clinton administration's successful demand for an audit office independent of the secretary-general who cannot fire Mr Paschke no matter how severe his criticisms.



Paschke: Peacekeeping in former Yugoslavia involved unnecessary, excessive and extravagant expenditure

Zanzibar election turmoil threatens Tanzanian poll

By Michela Wrong in Dar es Salaam

Electoral chaos on the spice islands of Zanzibar and Pemba threatened yesterday to derail Tanzania's first multi-party elections.

The country's main opposition party said yesterday it would boycott Sunday's ballot unless justice was done on the archipelago.

The NCCR-Mageuzi party, whose presidential candidate, Mr Augustine Mrema, is thought to stand the best chance of challenging the three-decade stranglehold on power by Chama Cha Mapinduzi (CCM), said it would ask supporters to boycott the polls unless calls were heard for a recount in the Zanzibar voting which took place last weekend – a week ahead of polls on the mainland.

A spokesman said the party was worried that suspected underhand tactics used in the island region could be applied to Sunday's elections which will decide the presidency and parliament of Tanzania as a whole.

"Zanzibar is a trial run for the mainland elections," Professor Mwesiga Baregu, NCCR elections director, told a press conference. "The tactics being used there could be used here."

Dominated by the opposition's campaign for the former Arab trading post to win greater autonomy from the mainland, the Zanzibar elections have collapsed into a welter of recriminations after a deceptively smooth start.

A presidential swearing-in ceremony scheduled for yesterday has been cancelled as the local branch of the ruling CCM and the Civic United Front (CUF) accuse each other of trying to rig the outcome.

Latest results show the CCM leading the CUF by 25 parliamentary seats to 23. But the results of the key presidential poll, which gives the winner the right to nominate 10 more deputies to the 50-seat house of representatives, remain unknown, prompting widespread speculation they hand victory to CUF candidate Seif Sharif Hamad, a result unacceptable to the CCM.

Diplomatic sources said there were signs the ruling party had tampered with return forms sent by polling stations to Zanzibar's electoral commission.

In at least two constituencies, votes supposedly cast outnumbered registered voters in the area.

The political wrangling has set nerves on edge on the notoriously volatile islands, which joined the mainland in 1964 after an uprising.

French sign $2bn China nuclear deal

By Tony Walker in Beijing and *David Buchan in Paris*

A French-led consortium yesterday signed a FFr9.45bn ($1.93bn) contract to build a nuclear power plant in China's energy-starved southern province of Guangdong.

The successful completion of loan and construction agreements for the Lingao station, a sister project to Guangdong's existing Daya Bay plant, strengthens the grip of French companies on China's nuclear market.

Premier Li Peng presided over yesterday's signing ceremony in Beijing's Great Hall of the People involving representatives of GEC-Alsthom, Framatome, Electricité de France and Chinese utilities.

Mr Li said the decision to go ahead with the Lingao plant followed the successful commissioning two years ago of the Daya Bay plant, which was built by the same consortium.

While Daya Bay is seen by Chinese government as a starting point for its ambitious nuclear programme, the plant, 30 miles from Hong Kong, has been a source of controversy in the colony since construction began in the later 1980s.

In Paris, Mr Yves Galland, French industry minister, hailed the Lingao nuclear power contract as "a winning treble for France", referring to the three French companies forming the consortium.

The Lingao facility, involving the construction of two 985 megawatt reactors, will help solve severe energy shortages in southern China – the country's fastest-growing economic region.

French banks led by Banque Nationale de Paris are financing the Lingao plant at favourable rates of interest supported by France's credit agencies.

Work is expected to begin at Lingao in mid-1996, and to be completed by 2003. It will be China's third nuclear reactor in commercial use.

At present nuclear power accounts for less than 1 per cent of China's energy needs, but this proportion is expected to grow rapidly.

Mr Gilles Menage, president of Electricité de France, which will be responsible for engineering work, said yesterday: "The basis for long-term co-operation between China's nuclear industry and Electricité de France is firmly established. These two nuclear facilities (Daya Bay and Lingao) will provide Guangdong with a source of steady non-polluting electricity at a stable price, unlike the prices of combustible fuels that even experts cannot predict."

Framatome will supply and install the nuclear reactors and GEC-Alsthom the non-nuclear facilities. Chinese contractors will undertake the civil works.

Motorola joins 1 gigabit microchip consortium

By Paul Taylor

Motorola, the electronics group, is joining a consortium of three other multinational semiconductor manufacturers which have teamed up to develop the next generation of advanced memory chips.

The US group will join International Business Machines also of the US, Siemens of Germany and Japan's Toshiba in a four-way alliance to develop future generations of highly advanced semiconductor chips, including a 1 gigabit dynamic random access (D-Ram) device.

The move, which highlights Motorola's determination to expand its presence in the fast-growing D-Ram market, will build upon the success of an existing alliance between IBM, Siemens and Toshiba which has developed a fully functional 256 megabit chip. The expanded team will continue to develop and enhance existing 64Mb and 256Mb chips as well as co-operating on the next generation 1Gb device.

The global D-Ram market will be worth about $25bn this year according to Integrated Circuit Engineering, a US market research group. By 1999 it is expected to grow to almost $50bn fuelled by soaring personal computer sales and the growing use of semiconductors in other machinery and equipment.

A 1Gb memory chip – capable of storing more than 1bn bits of data, equivalent to 100,000 double-spaced pages of typewritten text on a single slice of silicon chip – will be highly complex and extremely costly to develop and make. They are expected to start appearing in electronic devices early next century.

The bulk of D-Ram production today is focused on 4Mb and 16Mb devices; however the semiconductor industry is pushing to develop ever more sophisticated memory devices for use in power-hungry systems, such as powerful personal computers and workstations as well as high-definition digital video, multimedia and telecommunications systems.

Commenting on the partnership, Mr Jürgen Knorr, *senior* vice-president of Siemens and head of its semiconductor group, said: "As one of the world's leading chip manufacturers, Motorola has an excellent base of know-how that will provide major inputs and contributions to the group.

"By making this move, we can speedily offer our customers world-class products needed for their systems and other applications in telecommunications, information technology and automotive electronics."

Motorola researchers are expected to join the development teams from IBM, Siemens and Toshiba who have been working on high-density memory chip development for several years at IBM's Advanced Semiconductor Research and Development Centre in East Fishkill, New York.

Rifkind: heading off a risk of anti-western forms of government

Rifkind urges EU to give access to Russian trade

By Bruce Clark, Diplomatic Correspondent

Free access to western markets for Russia and other former members of the Soviet bloc will reduce the risk of them slipping back towards authoritarian, anti-western forms of government, according to Mr Malcolm Rifkind, the British foreign secretary.

In his first speech devoted to trade issues since taking office, Mr Rifkind followed up his recent calls for a transatlantic economic space with a strong appeal for the removal of barriers to east-west commerce within Europe.

He said that in contrast with the post-war period, when Europe's ruined economies had a desperate thirst for capital, the ex-communist nations were more in need of markets than of extra funds.

He told the London Chamber of Commerce that Britain would use its influence within the European Union to press for generous treatment of goods from Russia and its former satellites. The EU has pledged to start negotiating a free trade area with Russia and Ukraine in 1998.

"If they transform their economies, if they produce goods which in terms of price and quality are truly competitive, then there should not be artificial barriers to prevent genuine trade of an open kind throughout Europe as a whole," Mr Rifkind said.

Success in removing barriers would "substantially reduce the dangers of countries such as Russia returning to some form of sullen, authoritarian government that would be a danger to western Europe as well as to their own people," he added.

While all European Union members are committed in theory to gradual opening of their markets to goods from the ex-communist world, Mr Rifkind's speech signalled that Britain will be pressing hard for an acceleration of this process.

So far, the idea of free economic exchange between eastern and western Europe has aroused less controversy than the more ambitious project – also backed by London – of merging the North American and EU markets.

But dissent within the EU over trade with eastern Europe is widely expected to grow as the prospect of some ex-communist countries joining the EU draws nearer, and the quality of goods produced in the former command economies improves.

Earlier this year, EU members varied widely in their attitude to an EU-Russia trade accord which was frozen in January, because of Moscow's behaviour in Chechnya, and revived in July.

Greece in clean-up contract

Greece's state electricity utility, PPC, has signed a Dr21.3bn ($92m) contract with Noell-KRC of Germany to instal a desulphurisation unit at a power station in southern Greece.

The turnkey project, due to be completed in 1998, will reduce sulphur emissions at the 10-year-old Megalopolis power plant to within limits set by the European Union. The plant burns locally mined lignite, a low-quality coal with a high sulphur content.

The utility has recently come under pressure from the European Commission to improve environmental standards both at power plants and lignite mines around Greece.

Kerin Hope, Athens

● ABB Asea Brown Boveri has won a $260m order to supply parts for and build a 750MW power plant in Barranquilla, Colombia. Construction will begin immediately, with first electricity deliveries expected in March 1996.

AFX, Zurich

● France has agreed to sell 550 sets of shoulder-fired Mistral missiles, built by Matra Hachette, to Taiwan, the Central News Agency reported.

Although the missiles, with a range of just 3km, are not strategic, France informed China of the deal through diplomatic channels, the agency said.

The Taiwan defence ministry declined comment on the report.

AFX, Taipei

Jordan and Israel sign long-delayed preferential trade deal

By Julian Ozanne in Jerusalem

Jordan and Israel yesterday signed a long-delayed trade agreement giving Jordanian exports preferential treatment. The deal opens the way for the first direct, official exchange of goods, after the two countries signed a peace treaty a year ago today.

A separate Jordanian-Israeli agricultural agreement will be signed today as both sides seek to conclude the last of a series of bilateral agreements before the Middle East and North Africa economic summit which opens in Amman this weekend.

Jordan's Crown Prince Hassan said yesterday the trade agreement would bolster Jordan's position as a a "trade hub" in the Middle East and act as the foundation of a regional customs union based on the free movement of capital, goods, services and people.

The trade agreement, he said, was a product of enhanced political stability and marked the growing dialogue between Middle East states moving from nationalism to regionalism. It underpinned the growing internationalisation of Jordan's economy as it emerged from years of isolation and the negative effects of the Arab economic boycott of Israel, he said.

Under the trade agreement Jordanian exports to Israel will be divided into three categories and granted preferential treatment over goods from other countries. They would either be tax-free or receive 30 or 50 per cent reductions in customs duties. Among the Jordanian products most likely to benefit are pharmaceuticals, cement and furniture.

Israeli exports including tyres, pharmaceuticals, food, electronic components, medical and communications equipment will be granted an immediate 10 per cent reduction in tariffs and a further 5 per cent in two years.

The agreement will last for three years after which a new accord will be negotiated aiming for free trade between the two countries. Experts say the volume of Jordan-Israel trade is likely to be less than $100m in the early stages because of a lack of complementarity of the two economies, although the volume could grow.

Israel said yesterday it had given the $6bn Jordanian economy favourable terms in order to cement Middle East peace. The agricultural agreement, gives Jordan priority for those tax-free sales of agricultural products which Israel is forced to import. It fixes annual quotas for Jordanian agricultural exports: 50,000 tonnes of fruits and vegetables; 30,000 live sheep; 1,000 tonnes of cheese and 900 tonnes of olive oil. Israel will be able to export to Jordan all products the kingdom currently imports. Both will act as transit points for exports to third countries.

Preparing Tunisian companies for partnership with Europe

Roula Khalaf and **James Whittington** on how a Brussels deal will help upgrade industry as part of a project to create a free trade zone

When in 1990 Tunisian entrepreneur Mr Ali Ridah Belajouza visited a French ceramics factory and found that a good quality plate selling for FFr10 had cost the manufacturer FFr6 in labour costs, he knew he could develop a niche business back home and export to Europe.

"We have a sizeable ceramics and porcelain industry in Tunisia and labour costs 40 per cent to 50 per cent less," says Mr Belajouza. "I just had to make my product stand out, so I positioned it at a better quality than our ceramics and a better price than our porcelain."

Within a year, Mr Belajouza had formed a partnership with a French pottery maker which provided him with know-how, helped set up the business and promised to sell the products in Europe in return for a 20 per cent stake in the Tunisian company.

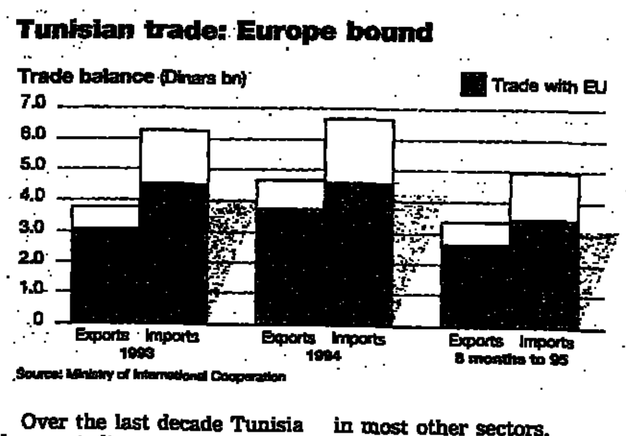
But it has taken three difficult years for the orders to start trickling in. In the meantime, the company, with turnover of $1m, has been bleeding cash and has accumulated $2m in debt which Mr Belajouza has just had to reschedule. "I was spending more time with my bankers than at my factory," he says.

Thanks to the new partnership agreement Tunisia signed this year with the European Union, intended to create a free trade zone with Europe within 12 years, help is on the way. To prepare Tunisian industry for competition against European companies, Mr Belajouza's GCN is one of 100 Tunisian businesses chosen for a pilot programme of *mise a niveau*, or upgrading.

With financial help from the EU, the Tunisian ministry of industry will send a team of consultants to diagnose the problems of 4,000 Tunisian businesses which have the potential to compete with European companies, prescribe the treatment and help fund it.

North Africa's smallest country was the first to make the commitment this year to integrate its economy within the European sphere. In addition to the intended free trade zone, the partnership agreement entails political and cultural co-operation. It falls within Europe's new Mediterranean strategy which rests on using both trade and aid to raise living standards on the southern side of the Mediterranean, thus reducing immigration pressures into Europe and keeping Islamic fundamentalism at bay.

Tunisian trade: Europe bound



Source: Ministry of International Cooperation

Over the last decade Tunisia has put its macro-economic house in order by completing an International Monetary Fund sponsored liberalisation programme. The government is now turning its attention to raising productivity levels, promoting better vocational training and building a modern infrastructure system.

In the first week of November, five consultants will spend two weeks examining Mr Belajouza's factory in Nabeul, Tunisia's ceramics centre, 60km south of Tunis. "It won't take them more than a day to figure out what I need," he says. "I need capital so I can expand the business."

Tunisian officials say upgrading companies will require some $2.5bn over 10 years, much of it they hope will be provided by the EU. "The money is meant to save companies that can be saved, not save the sick ones," says Mr Nouri Zorgati, the Tunisian finance minister.

Although the challenges seem monumental, Tunisian businessmen say their country has little choice but to link its economy to Europe. About 80 per cent of Tunisian trade is already with European Union members.

While the new deal with Europe maintains a quota on Tunisian exports of olive oil, trousers and cotton T-shirts, it allows ample room for growth in most other sectors.

Most businessmen are aware that not everyone will survive. An independent study prepared for the government has predicted that at least a third of Tunisian industry will fail unless upgraded. Tunisian businessmen say that may be closer to 50 per cent.

Mr Tarak Cherif, chairman of a manufacturing group which operates under licence or in joint-ventures with western companies, says that the household goods such as washing machines and refrigerators which he assembles under license from Whirlpool of the US will be gradually replaced with imported goods. "It will be impossible to compete on quality with the same European made products," he says.

While introducing efficiencies in some factories may exacerbate unemployment pressures in the short term – unemployment is about 15 per cent – Mr Cherif argues that Tunisia's manufacturers can adapt by re-focusing their manufacturing base towards niche markets.

"We have excellent cards we can play but not when it comes to manufacturing big series," he says.

Another company which has discovered this is Les Ateliers Mecaniques Industriels (AMI) which makes metal hinges for the European market. Its president, Mr Abid Ahmed, has recently signed a contract with a French hardware company, which has decided to take advantage of Tunisian labour skills and relatively low wages and use AMI as a supplier.

Tunisia is not counting on EU money alone to upgrade and expand its private sector. To increase the sector's resources, many of Tunisia's family-owned companies, which had always resisted opening up their capital to outside shareholders and their books to the Tunisian taxman, say they are now preparing to raise funds on the Tunis stock exchange.

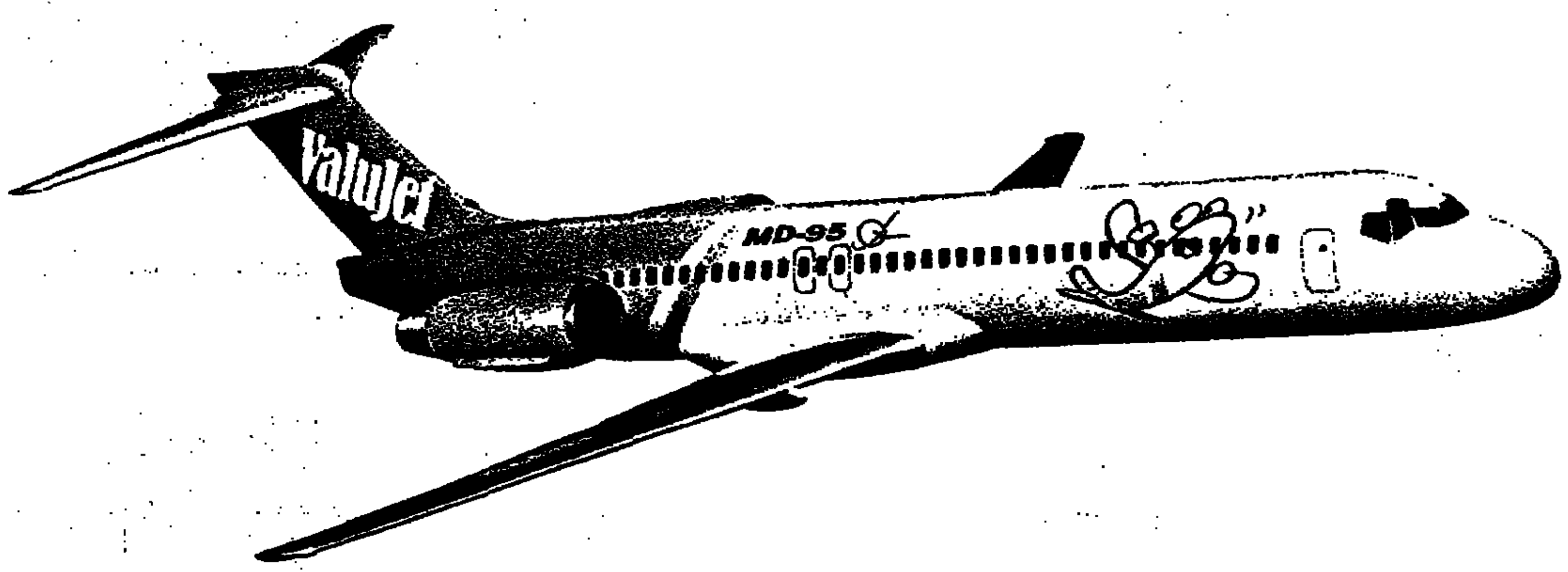
Moreover, local investment firms such as International Maghreb Merchant Bank and TunInvest are lining up to offer advice and channel domestic and foreign funds into the Tunisian private sector.

IMBank, Tunis's first merchant bank, is getting ready to manage the Tunisian side of a Middle East and North Africa Irish-listed fund to be set up with other partners.

"The fund will take a stake in companies which are highly geared and need development capital and prepare them for listing on the stock exchange," says Mr Adel Dajani, co-founder of IMBank. A new law allows foreign investment in up to 10 per cent of the capital of a company listed on the Tunis stock exchange and up to 30 per cent for unlisted companies.

هكذا من الأصل

Introducing The MD-95. The Jetliner For The Airline Of The 21st Century.



On Thursday, October 19, 1995, ValuJet and McDonnell Douglas signed an agreement to launch the 100-passenger MD-95. From all of us at McDonnell Douglas, especially the people of our commercial division, Douglas Aircraft, congratulations and thank you to everyone at ValuJet.

MCDONNELL DOUGLAS

Canadian markets stabilise after Quebec government agencies act to support dollar

Federalists step up No campaign

By Bernard Simon in Toronto

Opponents of Quebec independence are redoubling their campaigning in an effort to defeat secessionist forces in Monday's referendum on the French-speaking province's future.

Pro-Canada forces have organised what is likely to be a huge outdoor rally in central Montreal at lunchtime tomorrow.

Mr Jean Chrétien, prime minister, was due to deliver an appeal for unity on national television yesterday evening. His remarks were expected to be directed mainly at wavering French-speaking voters who might move into the No-to-independence camp if they thought a united Canada offered more hope for the future than a sovereign Quebec.

The prime minister, himself a Québécois, was also expected to try to damp increasingly emotional anti-separatist feeling in English-speaking Canada. The government is concerned that the referendum – whatever the outcome – might harden attitudes towards Quebec.

Mr Chrétien reflected nervousness in the federalist camp on Tuesday by opening the door to future negotiations on Quebec's demands for wider constitutional powers. But he also warned Québécois that the referendum was a "fundamental and irreversible choice".

The divisive issues facing an independent Quebec were underlined yesterday by a mini-referendum among the province's Cree Indian population, in which 96 per cent voted to stay in Canada.

However, financial markets stabilised yesterday after several Quebec government agencies unexpectedly intervened to support the Canadian dollar and Canadian debt securities.

Analysts interpreted the intervention as an effort by the province's secessionist government to calm Québécois fears ahead of Monday's vote.

Separatist strategists recognise that turbulence in financial markets earlier this week may have done more to drive home the economic costs of separation than the apocalyptic warnings issued by federalist leaders.

The Canadian dollar was trading at 73.10 US cents early yesterday afternoon, slightly below Tuesday's close.

Quebec government agencies denied that there was any political motivation behind their intervention in the foreign exchange and money markets. Hydro-Quebec, the province's power utility, said that it converted the proceeds of a US dollar medium-term note issue into Canadian dollars on Tuesday.

However, a trader at one foreign bank described the buying of Canadian dollars and Treasury bills as "rather aggressive."

He said "it brought a calmness to the market." Among other Quebec agencies which were said to be active were the Caisse de depôt et placement du Quebec, the big public-sector pension fund.

The markets are expected to be influenced today by several new opinion polls. Recent opinion polls have shown the secessionists holding a slight lead.

Analysts predict that currency and bond markets will be thrown into turmoil by a Yes vote, with the Canadian dollar falling well below 70 US cents.

'WE ARE RIGHT TO SAY NO' - Canadian prime minister Jean Chrétien, himself a Québécois, gestures while addressing No supporters during a rally in Montreal Reuter

Brazil's emergency fund to end early

By Angus Foster in São Paulo

Brazil's President Fernando Henrique Cardoso has bowed to congressional opposition and agreed that an emergency spending fund, designed to help balance the budget, will be extended for only 18 months instead of four years, as the government had hoped.

The compromise, which is expected to be approved by Congress in the next few days, will reduce the pressure on next year's budget. But it is the second time this week the government has been forced to water down its proposals. Analysts believe the pragmatic Mr Cardoso will increasingly have to negotiate with Congress as he brings forward more controversial reform plans.

The emergency fund, which runs out at the end of this year, gives the government more control over its spending by withholding resources which would otherwise be transferred to states and municipalities. The fund has been criticised by some states for reducing their tax take. The federal government says overall tax revenues have grown because of Brazil's recent economic growth.

The government's climbdown also marked a victory for senate president Mr José Sarney, who had actively opposed the fund's extension. Mr Sarney, a former president with his eye on the 1998 presidential elections, did not want the fund extended in case it helped re-elect Mr Cardoso or elect a chosen successor.

One government supporter said the episode highlighted what could become a growing problem for Mr Cardoso. To get his reforms approved by Congress, he needs the backing of Mr Sarney and Mr Luiz Eduardo Magalhães, president of the house of deputies, yet both are potential presidential candidates.

When the emergency fund was first approved, it was forecast to raise about $15bn this year and leave the government's budget in balance. But payroll costs are higher than expected and Brazil's high interest rates have led to a sharp rise in domestic debt payments. Some private sector economists now expect the government's operating budget deficit this year, including states and municipalities, to be about 1 per cent of GDP, or $5bn.

● The government's leader in the house of deputies received a letter bomb threat yesterday, apparently in retaliation for Tuesday's vote which broke the constitutional ban on sacking civil servants. Angry government employees had tried to interrupt the session.

Depleted US unions urged to organise

New AFL-CIO president puts militant recruitment at head of his agenda, writes Robert Taylor

The US labour movement is threatening to become a more militant force in the workplace, ready to use tactics of civil disobedience to try to organise many of the 83m workers in the country who do not belong to trade unions. The shift follows the election yesterday of Mr John Sweeney, head of the Service Employees Union, as president of the AFL-CIO union federation amid scenes of enthusiasm at its biennial convention in New York.

His victory promises radical changes at the AFL-CIO, which has grown weak and ineffective over the past 15 years as workers' real wages have been squeezed and employers have grown increasingly aggressive in driving organised labour from their plants.

"We must rekindle our movement's fighting spirit," said Mr Sweeney, whose own union has doubled its size under his leadership, mainly by using militant tactics. "The AFL-CIO must stop acting like a private club and become again a worker-based organisation."

"We are going to turn the AFL-CIO into a lean, mean fighting machine," promised his charismatic young deputy Mr Richard Trumka of the United Mine Workers. "Corporate America's worst nightmare is coming true."

Their insurgent movement – under the banner "A New Voice for American Workers" – has galvanised the energy of many union activists. At the convention many delegates – replete in red T-shirts and orange anoraks – were mobilised effectively to defeat the supporters of Mr Tom Donahue, the shrewd and cerebral AFL-CIO president who took over only three months ago after 16 years as deputy to Mr Lane Kirkland who was forced into retirement by calls for more aggressive leadership.

Mr Sweeney's New Voice campaign, which is backed by many of the big unions including the Teamsters, County and Municipal Employees, as well as the United Automobile Workers and the United Steelworkers of America, has tapped a sour mood of anger and despair among large parts of the movement, who believe the Washington-based lobbying methods of the AFL-CIO are no longer enough to stem the decline of unionism. Only 11 per cent of workers in the private sector are organised.

The new president promises to devote nearly a third of the federation's annual budget to train a thousand new organisers to recruit among women and minorities across the country. Tactics such as sit-downs and sit-ins are to be encouraged against companies that pursue aggressive tactics against unions.

Plans are being drawn up for an organising campaign in the weakly-unionised southern states, while unions are to be encouraged to take a more militant role in local communities

'We must rekindle our movement's fighting spirit'

allying with protest movements. Ms Linda Chavez-Thompson, an activist from Texas, who hopes to fill a new post of executive vice-president, has already said she is ready to go to jail if necessary to press labour's aims.

The radical rhetoric and promise of a more militant stance worry some union leaders who fear it may lead the labour movement to oblivion. As Mr Donahue warned: "There is a real world out there with real workers in it and they are not answering the call to arms because the war the trumpets call them to is too dangerous for them."

He believes the US unions should not seek to destroy the system but ensure workers get a fair share of its rewards.

Mr Sweeney – like Mr Donahue – is of Irish parentage and hails from New York's Bronx. He came up through the Service Employees and was for many years on the AFL-CIO's executive council. Until he launched his presidential bid this summer he was urging Mr Donahue to challenge Mr Kirkland. It was only when Mr Donahue declined to do so that New Voice was launched.

Mr Sweeney often seems like an old-style US union boss. He has been paid two salaries – one as his union's president and another for running his New York local. The rank-and-file played no direct part in the presidential campaign and there are no plans to democratise the unions to allow one-member-one-vote in leadership elections.

"There is no revolt from below," said one union official. "This is a quarrel between old buddies who grew up on the New York Central Labour Council."

Cuba woos creditors over its foreign debt

By Pascal Fletcher in Havana

Cuba's central bank head said yesterday Cuba was prepared to be "creative and constructive" in tackling its hard currency foreign debt, which officials say is more than $8bn.

Mr Francisco Soberón, National Bank of Cuba president, said the country had restarted informal dialogue with its main creditors among the Paris Club of creditor governments.

"But the success of this will depend in the end on the level of realism shown by our creditors in the search for viable solutions that take into account Cuba's current economic situation," Mr Soberón told a seminar organised by The Economist magazine.

Cuba has been starved of medium- and long-term credit since debt talks with the Paris Club creditors stalled in 1986.

He said Cuba was currently forced to rely almost exclusively on short-term, high-interest credits, which placed a tight financial squeeze on the economy. The country urgently needed to unblock its access to medium-term official and bank credits to finance economic recovery.

Mr Soberón travelled last month to Japan, France, Canada, Britain and Spain – all of them important creditors – and held informal talks on the Cuban debt with both government and private bankers. He said then Cuba would consider debt-equity swaps as one possible solution for bilateral commercial debt.

Mr Christian Noyer, chairman of the Paris Club of official creditors, said earlier this month that several countries were pressing for an informal accord for debt relief on Cuba's official debt but he declined to name them.

One big obstacle to a formal Paris Club settlement on the Cuban debt is that Cuba is not currently a member of the International Monetary Fund, which it left after the 1959 revolution. The US, which calls for economic and political reforms in Cuba and maintains an economic embargo against the island, is likely to block any attempt by the current Cuban government to rejoin the IMF.

Creative Artists' founder leaves to work for Save the Children

By Christopher Parkes in Los Angeles

The last member of the founding trio still working at Creative Artists Agency, the top Hollywood talent brokerage which has been shaken by a series of rapid-fire departures, is leaving to put his arm-twisting and shoulder-rubbing abilities to work in a good cause – and without pay.

Mr Bill Haber, head of television operations, and linkman in CAA's innovative corporate advisory services, will take a full-time, unpaid post at Save the Children, the Connecticut-based affiliate of the international non-profit aid organisation.

Mr Haber, who is selling out his 22.5 per cent stake in the agency, follows former CAA president Mr Ron Meyer, who was recruited in July to run the Seagram group's MCA entertainment conglomerate, and Mr Michael Ovitz, former chairman, currently settling into the presidency of Walt Disney.

Mr Kevin Costner, one of the agency's best-known film names, broke his links with CAA last week, although he has yet to sign up new representation, unlike Mr Steven Seagal, who defected recently to CAA's rival, International Creative Management.

Meanwhile, Variety, the showbusiness daily, reported Mr Ovitz to be in the closing stages of talks to tie his long-term CAA client, Mr Sean Connery, into an extended deal with Disney.

Although some observers suspect the dispersal of CAA's founding trio – formerly regarded as the most powerful men in Hollywood – may spell the end of an era of the talent agency's ascendancy, Mr Haber, 53, said recent moves were part of "the natural process of generational change which happens to any company".

As for the nine-man group of so-called "young Turks" who have taken over from CAA's founders in a complex buy-out arrangement, "they will be moving on in 20 years when the company will still be as excellent as it is today," Mr Haber added.

On his own future, Mr Haber said he aimed to exploit all his contacts to promote Save the Children which helps some 1m people in the US annually, and also operates in 40 developing countries. "I believe the greatest creative minds in the world work in the entertainment business, and as soon as I'm out of here I'm going to use all of them," he said.

Apart from his overall responsibility for CAA's conventional television connections, Mr Haber was also closely associated with an unusual advertising link with Coca-Cola – by virtue of the agency's central role in popular culture – and a joint-venture aimed at generating television programmes for telephone companies Bell Atlantic, Nynex and Pacific Telesis to pipe down their cables.

CAA's future role in both deals has been thrown into doubt by the recent departures.

Jerusalem bill unlikely to be vetoed

By Jurek Martin in Washington

President Bill Clinton is unlikely to veto a bill requiring the US to move its embassy in Israel from Tel Aviv to Jerusalem by mid-1999. But according yesterday to Mr Warren Christopher, the secretary of state, the president will probably use an escape clause in the bill that lets him put off the move if he determines it would jeopardise Middle East peace negotiations.

Mr Christopher described this waiver provision, inserted at the last moment and allowing the president to claim an unlimited number of six-month delays, as "a favourable development". But he added before a meeting with the Saudi Arabian foreign minister that both he and Mr Clinton thought the legislation "unwise".

The votes in Congress – 93-5 in the Senate and 374-37 in the House – were well over the two-thirds required to override a veto. The legislation was rushed through on Tuesday as a welcome for Mr Yitzhak Rabin's visit to Capitol Hill yesterday to mark Jerusalem's 3,000th anniversary.

In another congressional foreign policy move, a conference committee of both houses agreed to lift the 1990 ban on the sale to Pakistan of $368m worth of aircraft and other military equipment, imposed because of concerns over Pakistan's nuclear programme.

Clinton's close encounters are two of a different kind

Quentin Peel looks at the contrast in the US president's meetings with Russia's Boris Yeltsin and China's Jiang Zemin

When US President Bill Clinton met Russia's President Boris Yeltsin in New York on Monday, and then China's President Jiang Zemin just 24 hours later, the contrast, both in style and substance, could scarcely have been stronger.

In up-state New York, while the UN celebrated its 50th anniversary 100 miles away, Bill and Boris attempted to plaster over the growing cracks in their relationship over lunch. The meeting was all about bonhomie, without much detail.

Then on Tuesday, the focus shifted to the Lincoln Centre, the other side of New York's Central Park from the UN birthday party, where Mr Clinton met President Jiang (no first-name terms there) for a grim two-hour talk.

That was all detail, without much bonhomie.

Behind the difference in style, however, there appears to be a much more important change in substance. For the much-hyped US-Russian relationship seems to be rapidly degenerating into soundbites for the electronic media. It is the on-off, love-hate Sino-American affair which is the growing focus of attention and concern, and not just in Washington.

At the UN assembly on Sunday, Mr Yeltsin raised an issue that worried him more than any other: the expansion of the Nato alliance into eastern Europe, which threatened to re-open the old wounds of the cold war.

He attacked in particular the US-led Nato plans for implementing a peace agreement in Bosnia, under Nato's firm and undivided command.

When he met Mr Clinton next day, they apparently failed to make real progress on either issue. Yet they maintained they had had a wonderful meeting: the "friendliest . . . best . . . most understandable meeting" they had ever had, according to the Russian leader.

They completely ducked the question of how Russian soldiers could serve in Bosnia under Nato command. There was no mention of Nato enlargement. But the abiding image for the watching public – in Russia, as in the US – will be that of both leaders giggling like a pair of schoolboys when Mr Yeltsin mocked the media for warning that their meeting would be a disaster.

The meeting was not completely devoid of content. There was the hint of a trade-off between the two sides which gives some idea of the new post-superpower state of relations between them.

Russia has agreed to continue, and extend, co-operation on ensuring the safety of nuclear materials on its territory. It means a highly intrusive system of US involvement in some of Russia's most sensitive nuclear establishments.

In exchange, the US and Nato have agreed to relax the arms controls imposed on Russia by the CFE treaty in 1990. Considerably more tanks, artillery and armoured cars will be allowed in the sensitive "flank zones" of the Russian federation, in the northwest and southwest, than the treaty permitted – giving Moscow much more capacity to deal with any future threats of secession, as in Chechnya.

A few concessions allowing Russia to deal harshly with its own minorities seems a small price to pay for preventing its decaying nuclear arsenal falling into more threatening hands.

China is another case altogether. The good humour is notably lacking, but there is an urgent concern from Mr Clinton and his closest advisers to set out a clear framework for future relations.

This is the superpower relationship of the 21st century, they are saying.

Not that Mr Jiang and the Chinese leadership are making matters easy. Their fury at the midsummer visit of Taiwan's President Lee Teng-hui to the US caused a serious breach in bilateral relations.

They cut off regular dialogue on a whole range of sensitive issues, from missile proliferation, the peaceful use of nuclear energy, and export controls on nuclear materials, to human rights and military exchanges.

Mr Clinton wanted to get those talks resumed. He made little headway, except on the military exchanges. However he did persuade the Chinese to agree that both sides needed a clear framework for their relationship, on a reliable, long-term basis – one which presumably would not be disrupted by continuing rows over Taiwan.

Both sides also agreed to open up talks in a range of new and relatively uncontroversial areas, such as environmental protection, fighting international crime, and drug-trafficking. They made positive noises about each other.

Mr Winston Lord, Mr Clinton's top adviser on China, made it clear this was the best meeting of the three they have had so far. Mr Chen Jian, the Chinese spokesman, called it "friendly, positive and useful."

But China knows its time is still to come. No deals will come easy. Mr Chen was adamant that the acutely sensitive issue of Taiwan was still "the core issue in the China-US relationship."

He was asked to say precisely, yes or no, if relations had recovered to the state they were at before Mr Lee's visit last June.

He was polite, but perfectly clear: "A person cannot cross the same river twice," he said.

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© Carl Wilhelmson, "On the Rocks, Fiskebäckskil", Göteborg Museum of Art.

...then we started over again.

هكذا من الأصل

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday October 26 1995

IN BRIEF

Santander deal bears some fruit

Banco Santander vindicated its takeover of the troubled Banco Español de Crédito (Banesto) banking group last year with increased earnings and a strengthened balance sheet in the third quarter. The results were ahead of expectations. Page 18

SKF fails to meet expectations
SKF of Sweden, the world's leading manufacturer of rolling bearings, reported a weaker-than-expected result for the first nine months following flatter third-quarter demand. Page 20

New terms for Direct Line chief

Royal Bank of Scotland moved to dispel uncertainty about the future of Mr Peter Wood (left), chief executive of its Direct Line insurance subsidiary, by extending his service agreement for two years. Mr George Mathewson, Royal Bank's chief executive, said the revised terms would give reassurance that Mr Wood remained committed to Direct Line, which he founded 10 years ago and is the UK's largest private motor insurer. Page 24

Procter net income hits target
Net income at Procter & Gamble, the consumer products group, rose 13 per cent in the first quarter. It met predictions made at the annual meeting this month. Page 21

Du Pont disappoints
Shares in Du Pont, the largest US chemical company, dropped 6 per cent on disappointing third-quarter figures. Page 21

Telmex better than expected
Teléfonos de México (Telmex), the country's dominant telecommunications company, has reported a smaller than expected decline in profits for the third quarter. Page 21

Vocaltec to extend activities
Vocaltec, the New Jersey-based company which shook the global telephone industry this year by offering low-cost voice calls over the Internet, plans to extend its activities to video-conferencing and multimedia. Page 22

Profits surge at Fujitsu
Fujitsu, the Japanese high-technology manufacturer, weathered a sluggish domestic economy to more than double first-half profits. It was helped by strong demand for semiconductors and communications systems. Page 23

Consortium stalks Littlewoods
Organisers of a potential £1.2bn ($1.89bn) takeover bid for Littlewoods, the retail and football pools group which is the UK's largest privately-owned company, are considering making a formal statement by the end of the week confirming their interest in the group. Page 24

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Henkel	523	+	13
Porsche	652	+	34
SAP AG	217.5	+	11.7
Falls			
Bil & Berg	510	-	10
DLW	285	-	26
Holzmann	525	-	19
NEW YORK ($)			
Falls			
Chemical Bnk	55⅞	-	1⅛
DuPont	60¼	-	4¼
H Packard	89¾	-	1⅛
Intel	67⅛	-	¾
Mellon Bank	49¾	-	1¼
Microsoft	96⅝	-	⅝
LONDON (Pence)			
Rises			
Fst Leisure	346	+	16
Meyer Intl	355	+	15
Wolseley	396	+	20
Falls			
ASW Hldgs	176	-	20
Le Creuset	170	-	14
Shiloh	101	-	14
TORONTO (C$)			
Rises			
Cott Corp	11⅝	+	½
Moffat Comms	27½	+	1
Nthn Telecom	47⅝	+	1⅝
Falls			
Champ Rd Mach	10	-	2⅝
Eli Eco Logic	11½	-	1½
PC Docs	21	-	3⅛
PARIS (FFr)			
Rises			
Air Liquide	800	+	22
Bouygues	492	+	23
Cred Lyon	250	+	22.4
Danone	761	+	19
Radiotechn	259	+	20.9
Falls			
Gaumont SocN	291	-	8.5
TOKYO (Yen)			
Rises			
Daishowa Ppr	791	+	21
Kyotaru	629	+	29
NHK Spring	507	+	37
Falls			
Fuji F & M	496	-	23
Furukawa Elec	485	-	25
Hino Motors	780	-	25
HONG KONG (HK$)			
Rises			
Lucky Man Prp	5.25	+	0.35
Sea Hlds	4.625	+	0.15
Vtech Hlds	12.75	+	0.4
Falls			
China Res	3.375	-	0.12
Esprit Asia	2.65	-	0.25
Guangnan Hlds	2.5	-	0.12
BANGKOK (Baht)			
Rises			
Interlife	59.0	+	4.5
Supalt-W	31.5	+	2.5
Surapon Seafd	40.0	+	3.0
Falls			
Dusit Thani	36.25	-	3.25
Gen Eng	46.5	-	4.5
Univentures	80.0	-	6.0

New York and Toronto prices at 1.30pm.

Alcatel in print deal with Havas

Telecoms company to exchange publishing activities for 20% stake in media group

By Andrew Jack in Paris

Alcatel Alsthom, the French telecoms, transport and engineering group, yesterday said it intended to exchange its FFr4.7bn ($960m) of print and publishing interests for a one-fifth stake in Havas, the French media and leisure group, in an important restructuring of the country's communications sector.

Havas said the deal would turn it into the fifth-largest publisher in the world, with pro forma revenues of FFr45bn in 1995, and would give it "the clout to stand up to international competitors".

The plan is in line with the stated intention of Mr Serge Tchuruk, Alcatel's newly-appointed chairman, to focus on core business areas and to sell or develop partnerships for its other activities.

Mr Tchuruk and Mr Pierre Dauzier, chairman of Havas, emphasised the deal would allow the two groups to combine strengths.

In the exchange, Alcatel will cede all its print media activities, which comprise about half the assets of Générale Occidentale, the media group of which it bought 10 per cent in 1979 and took full control in 1991.

Among the titles it is handing over are two of France's leading general weekly news magazines - Express and Le Point - as well as its shares in Expansion, a business weekly, and in the publisher Larousse.

It will also hand over its 29.3 per cent stake in CEP Communication, the trade press group, and its 50 per cent stake in Hoche Friedland, which in turn owns two-thirds of Groupe de la Cité, a publishing group.

Alcatel will retain its other media activities, including 49 per cent of the Radio Nostalgie station, and its investments in cable and specialist television stations such as the Lyons-based Euronews channel.

In the exchange of shares, Alcatel will receive 21.2 per cent of the newly-enlarged share capital of Havas. The effect is to make Alcatel the leading shareholder in Havas, with two directors, one of whom will be Mr Tchuruk. Canal Plus, the pay TV station, and Société Générale, the French banking group, will be two of the next largest investors with 5.9 per cent each.

CEP Communication will simultaneously offer its own shares to public investors in exchange for the 25.3 per cent of Groupe de la Cité that is quoted.

If the offer is fully taken up, the publicly-held proportion of CEP will rise from 22.8 per cent to 27.4 per cent.

Lex, Page 16

Alice Rawsthorn reports on how one beauty house is holding its own against bigger rivals

Estée Lauder float is more than just cosmetic surgery

When Estée Lauder discloses the final details of its forthcoming $335m flotation on the New York Stock Exchange, it will mark the end of an era for the cosmetics industry.

Lauder has been wholly owned by its founding family for 50 years. Almost all its rivals have been bought up by the powerful consumer products companies, such as France's L'Oréal and the Anglo-Dutch Unilever, that now dominate the $70bn global market for make-up, skin care and perfume.

After Lauder goes public, Chanel will be the only world class beauty brand to remain in private hands. And Lauder, which, like Chanel, has traditionally conducted its business affairs behind a veil of secrecy, will have to adjust to life as a publicly quoted company.

"Lauder has prided itself on its secrecy ever since it was founded in the US by Mrs Estée Lauder and her late husband, Joseph, in 1946. Expensive scents and skin creams were then seen as luxuries. Lauder, together with Revlon and the "beauty queens", Elizabeth Arden and Helena Rubinstein, introduced up-market cosmetics to a wider audience in the US and then in Europe. Its first success was Youth Dew, a bath oil introduced in 1954 that doubled as a scent. Lauder's growth accelerated in the 1960s with the launch of Clinique skin care and Aramis, the best-selling men's scent.

Lauder has since combined this concentration on the upper end of the market with aggressive marketing. Mrs Lauder has continued to play an active part in product development. When the company launched a new scent in 1985, she chose the name, Beautiful, and insisted that the advertising featured a bride. Mrs Lauder then torpedoed her executives' plans by changing the colour of the packaging at the 11th hour.

But the dynamics of the beauty business changed after the takeovers of the late 1980s, which included the acquisition of Calvin Klein Cosmetics by Unilever and of Helena Rubinstein by L'Oréal.

The expansion of these huge groups has raised the financial stakes in the industry. The cost of promoting new fragrances has escalated, as has the risk of failure. It now costs at least $40m to introduce a new scent worldwide. Unilever is thought to have spent considerably more than that on cK one, the new Calvin Klein fragrance for both men and women which is one of the most successful launches of the mid-1990s.

"The prestige end of this business is all about marketing," said Mr Paul Deacon, an analyst at Goldman Sachs in London. "It doesn't cost an awful lot to make this stuff, but you need to be able to spend a great deal of money on advertising."

It has become increasingly difficult for independent companies such as Lauder to raise the capital required by new launches. Similarly they cannot match the vast research and development facilities of the larger groups. These pressures proved too much for Yves Saint Laurent, which ceded its independence in 1992 by selling out to Sanofi, the French pharmaceuticals group.

Estée Lauder invests heavily in marketing, recently signing a £1m ($1.58m) annual contract with the actress, Elizabeth Hurley, to be the "face" of its advertising. And it has diversified, launching Origins Natural Resources, an environmentally-correct range of skin and aromatherapy products, in 1990.

Despite the expansion of the large groups, Lauder is still one of the world's leading beauty brands with net profits of $121m on sales of $2.9bn in the year to June 30. Euromonitor, the research consultancy, ranks it as the world's ninth largest cosmetics and toiletries concern, although its position is almost certainly higher within its own market sectors of prestige scents, make-up and skin care.

However Lauder may need to expand its financial resources if it is to maintain its market position. Its recent scent launches have yet to match the sales of its best sellers, White Linen, introduced in 1973, and Beautiful.

Lauder's future ownership is a longstanding subject of speculation in the cosmetics industry. It would clearly be an extremely attractive takeover target, but so far the family has refused to relinquish its independence.

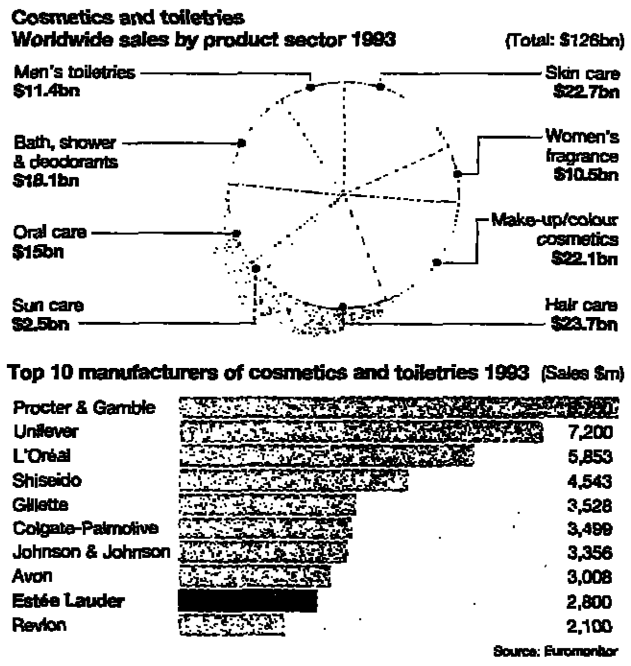
The flotation, which coincides with Mrs Lauder's decision to step down as chairman in favour of her son, Leonard, 62, who has run the company as president since 1972, is a compromise. It will involve the sale of between 10 per cent and 15 per cent of the equity, enabling the Lauders to raise capital for themselves and the company, without forfeiting control.

Lauder is now finalising its preparations for the flotation and is expected shortly to announce the details. The prospects for the issue look good. Gucci, the Italian fashion company which is the only other "glamour stock" to go public this autumn, had to increase the percentage of its equity sold in its New York and Amsterdam issue from 30 per cent to 48 per cent. Even so, the US tranche of the $620m issue was 8 times subscribed, the international tranche 16 times subscribed.

Estée Lauder might not be as chic as Gucci, one of the hottest fashion labels of the mid-1990s, but it hopes its issue will benefit from the reflected glamour.

The make-up of make-up

The face of Estée Lauder: actress and model Elizabeth Hurley



VW shares driven up by profit rebound

By Andrew Fisher in Frankfurt

Volkswagen, the German motor manufacturer, yesterday underlined that its turnround was continuing by reporting improved results for the first nine months, which sent its shares higher.

Net profits totalled DM185m ($133m), compared with a loss of DM73m in the same period of 1994. This means it has already overtaken its profits for the whole of 1994, when it earned DM150m. In 1993 it lost DM1.94bn. VW shares rose DM9.30 yesterday to DM434.80.

In the third quarter the company's net profit was DM72m, compared with DM136m last year, which analysts said reflected higher tax payments.

The company expected a markedly better result for the full year than in 1994, thanks to higher production and unit sales and its efforts to improve efficiency and cut costs.

Turnover in the first nine months rose 10.9 per cent to DM65.2bn, with worldwide deliveries to customers 6.4 per cent higher at 2.66m.

VW's full nine-month figures will be announced next month. It released the outline figures yesterday as they had been mentioned at the Tokyo motor show.

The pre-tax profit was DM948m in the first nine months, against DM274m in January-September 1994. This implies a higher than normal tax charge, as did its pre-tax profits in the first half, which were DM616m against DM55m. "But the market can see that the underlying trend in earnings is good," said Mr Christopher Will, analyst at Lehman Brothers.

"The trend at VW is certainly positive," said Mr Jürgen Pieper, analyst at Deutsche Morgan Grenfell. "Volkswagen will achieve a higher market share in the next two years as a result of new models." However, he saw a risk to margins in the company's aggressive pricing policy.

VW said the improved result had been achieved despite the disruption caused by stoppages during negotiations on pay and working conditions.

The market's positive reaction contrasted with that which it gave the half-year results, which appeared as the pay talks were under way. Some analysts felt the DM113m net profit for the first six months (against a DM209m loss) had been kept low to avoid upsetting the pay talks, though the company denied this.

New model, Page 18

Spanish minister tries to quash talk of bank bid for Argentaria

By Tom Burns in Madrid

Mr Pedro Solbes, Spain's economy and finance minister, and Mr Emilio Ybarra, chairman of Banco Bilbao Vizcaya (BBV), yesterday acted to quash reports that BBV was about to launch a bid for Argentaria, the partially privatised banking group controlled by Mr Solbes' ministry.

Mr Solbes said he intended to continue Argentaria's privatisation but he would block its takeover by another bank. Mr Ybarra said BBV had no intention of acquiring a stake in the state-run institution.

The speculation was sparked by Mr Solbes' predecessor Mr Carlos Solchaga who last week said the merger process in the domestic sector was "not yet over".

Mr Solchaga said the current line-up of Spain's leading banks was "unstable".

Analysts interpreted Mr Solchaga's remarks as a hint that BBV, which was once his employer, could bid for Argentaria, which he set up as an institution pooling the state-owned banks in 1991 when he was minister.

The speculation took a twist on Monday when Mr Luis Valls, chairman of the profitable Banco Popular group said that Popular was ready to "make a merger leap".

In an apparent reference to Argentaria, Mr Valls said: "If the authorities ask us take over a big institution, we will do so."

Mr Solbes said he planned to reduce the government shareholding in Argentaria from 50 per cent to 25 per cent but he said the timing of the offering would be dictated by market conditions and would be made exclusively to small shareholders.

"We are certainly not going to hand over control [of Argentaria] to another bank," Mr Solbes said.

Mr Ybarra meanwhile added his own statement to kill the rumours. He said BBV's board had "never discussed the purchase of equity in Argentaria and has, therefore, never authorised any negotiations towards such an end".

Mr Solbes and Mr Ybarra's denial will come as a relief to Banco Santander which is locked in a struggle with BBV to establish its supremacy as the sector's leader.

Smiths predicts aviation 'nadir'

By Tim Burt and Michael Skapinker in London

Smiths Industries, one of the UK's leading avionics groups and a main supplier to Boeing of the US, yesterday predicted civil aircraft production would fall next year to its lowest level for more than a decade.

In spite of the group's cautious outlook on aerospace, it reported a 17 per cent increase in annual pre-tax profits to £138m ($218m), compared with £117.6m last time, on sales of £899.3m (£766.3m). It was helped by sharply improved contributions from its medical and industrial divisions.

The company, which also makes cockpit instruments for Airbus Industrie, the European consortium, and McDonnell Douglas of the US, said it expected aircraft deliveries to fall by 8.3 per cent to 396 this year and warned that output in 1996 would be lower still.

Mr Roger Hurn, chairman and chief executive of Smiths, said: "All the manufacturers are predicting a lower level of orders and we think the industry will reach its nadir in 1996."

Mr Hurn's predictions have been are largely supported by figures from Boeing and Airbus, the world's two largest aircraft makers manufacturers.

Boeing has said while airlines would buy more than 15,000 aircraft over the next 20 years, orders would remain subdued well into the next century.

Analysts expect Boeing to make no more than 200 aircraft in 1996, compared with 235 deliveries this year and 270 in 1994.

Airbus, said it might deliver a few more aircraft next year than in 1995 but did not expect the difference to be substantial. It won 125 orders last year, but took only 76 in the first nine months of 1995.

Smiths, which relies on aerospace manufacturing for almost 30 per cent of its operating profits, said it had offset sluggish demand for civil aircraft by increasing production and sales of military avionics.

Increased emphasis on military programmes helped maintain profits in its aerospace division at £40.3m in the year to August 5, compared with £39.1m the previous year, in spite of slightly reduced turnover of £374.2m (£378.8m). It also softened the impact of lower-than-expected production of the Boeing 777, the US manufacturer's new wide-bodied airliner.

Details, Page 24

Banco Santander advances at nine months

By Tom Burns in Madrid

Banco Santander vindicated its takeover of the troubled Banco Español de Crédito (Banesto) banking group last year with third-quarter and nine-month results showing increased earnings and a strengthened balance sheet. The results were well ahead of market expectations.

The Santander group lifted pre-tax profits 1.4 per cent to Pta106.5bn ($882m) over the first nine months of last year. Attributable profits after minorities rose 5.9 per cent to Pta63.3bn.

The Banesto acquisition had a negative impact on Santander's results at the six-month stage, prompting a 2.7 per cent fall in the group's pre-tax profits.

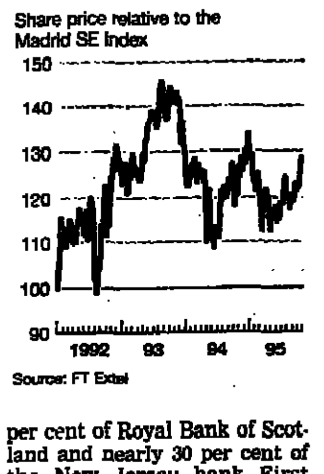
The nine-month results covered the first full year since Banesto was consolidated with Santander. They reflected a turnround at the once near bankrupt institution under its new management. Banesto posted attributable net profits of Pta16bn for January-September this year against losses of Pta17.2bn over the same period in 1994.

Mr Matias Rodriguez Inciarte, executive deputy chairman, said: "We are delighted with these results. A year after consolidating Banesto we have absorbed the impact of its acquisition and Banesto is on a very satisfactory recovery track. We have delivered good results, high capital ratios and a strong covered loan portfolio."

Santander, which owns 10 per cent of Royal Bank of Scotland and nearly 30 per cent of the New Jersey bank First Fidelity, said it had raised income across the board, both in Spain and abroad, of its diversified commercial and investment banking businesses.

Santander

Share price relative to the Madrid SE Index



Source: FT Extel

The consolidation of Banesto lifted the group's average total assets to Pta15,610bn against the Pta10,490bn at the nine-month stage last year making Santander comfortably the biggest domestic banking group in terms of assets.

Bad and doubtful debts represented 4.45 per cent of total loans compared with the domestic sector's average of 5.6 per cent.

In the third quarter Santander strengthened its balance sheet with two subordinated debt issues totalling $350m which raised its BIS ratio at September 30 to 10.9 per cent. A new issue of $200m last week has since raised the BIS ratio to 11.2 per cent.

Santander's earnings potential was underlined by a 17 per cent growth in customer deposits that offset narrowed margins.

The group now stands to make impressive gains from Banesto's recovery and also from the takeover of First Fidelity by fellow US bank First Union at the end of the year. This will make Santander the biggest single shareholder of the enlarged institution.

Mr Rodríguez Inciarte expects Banesto to post 1995 profits of about Pta21bn and to raise them by 50 per cent to about Pta30bn in 1996. The consolidation of the First Union shareholding is forecast to earn the Spanish bank $130m next year against the $50m earned this year from First Fidelity.

Telefónica strengthens position in Latin America

By Tom Burns

Tisa, the international arm of Spain's Telefónica, has strengthened its position as Latin America's leading foreign telecoms operator with a clutch of mid-week deals that has bought it cable companies in Argentina and Chile and a significant presence in Mexico.

The Mexican deal brings Tisa into a consortium in which Unicom is partnering US operator GTE, the large domestic bank Bancomer and the local investment group Valores Industriales.

Unicom is poised to develop a fibre-optic network in Mexico, which represents an investment of up to $900m spread over the next 10 years. It will begin data transmission services next year and make a bid to operate long-distance calls when Telmex, the domestic telecoms group, loses its monopoly in January 1997.

Tisa said its cable acquisitions in Argentina and Chile reinforced its strategy to be the main cable TV operator in Latin America. It will invest between $160m and $201m over the next three years to build up a 25 per cent stake through capital increases in the Argentine cable group Multicanal.

It will also spend some $100m in a merger that will bring together Intercom, its cable company in Chile, with rival cable operator Metrópolis.

Analysts saw Tisa's flurry of activity as a well-timed assault to counteract the wary response Telefónica received from global investors this month when the Spanish government sold 12 per cent of the its equity on the international markets. They also said the Unicom deal could foreshadow more wide-ranging agreements with GTE, which already partners Tisa in Cantv, the Venezuelan operator.

In what appears to be the first concrete outcome of on-off negotiations between GTE and Telefónica conducted for more than a year, the US operator has agreed to sell to Tisa, for an unspecified sum, half of its 49 per cent Unicom stake. At one stage last year, GTE appeared poised to become a significant Tisa shareholder.

Telefónica said there was no conflict of interest over agreements in Latin America with GTE and its existing partnership arrangement with AT&T through the Uniworld/Unisource global alliance that includes Dutch, Swedish and Swiss telecoms groups.

Tisa's Unicom alliance with GTE gives it a point of entry into what is considered to be the most lucrative Latin American market. Mexico generates 50 per cent of all international calls in Latin America. Its international traffic, which is 87 per cent weighted towards the US, earned Telmex a turnover of $4bn last year.

The Spanish group, which has a strong presence in Argentina, Chile, and Peru and forms part of consortia in Colombia and Venezuela, already provides international services to the US through its TLD unit in Puerto Rico.

Telmex results, Page 21; Cantv grapples with brave new world, Page 22

Rhône-Poulenc profit tumbles 17% in third quarter

By David Buchan in Paris

Rhône-Poulenc, the French chemicals group, yesterday reported a 17 per cent fall in third-quarter net profits to FFr669m ($137m). The decline was attributed to increased restructuring costs and tax provisions.

But the group said net profits for the first nine months, at FFr1.96bn, were still 71 per cent ahead of those for the comparable period last year. It forecast "a significant improvement" for this year as a whole.

Analysts at Société Générale bank described the third-quarter operating profits of FFr1.828bn as better than expected.

The shares rose FFr2.40 to FFr102.40.

The group, which has been making a series of disposals and a few acquisitions, said that though operating profits were 20 per cent less than the particularly good third quarter of 1994, on a comparable basis they were stable.

For the first nine months of the year, operating profits were 20 per cent up to FFr5.77bn, on the basis of its 1995 structure.

The group claimed an improvement in all four sectors – chemicals, agrochemicals, health products, and fibres and polymers.

This was achieved despite a deterioration of the economy in Brazil, where the French group is active and has an affiliated company, Nyltech Fairway.

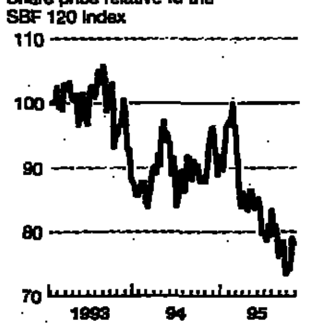
Earnings from affiliated companies benefited particularly from the Pasteur Mérieux MSD joint venture in human vaccines in Europe.

Rhône-Poulenc's accounts have been complicated over the past year by the acquisitions of Sanofi-Cooper animal health operations and Celbras man-made fibres, and sales of health, agrochemical and acetic textile operations in the US.

Operating profits for the first nine months were, on a comparable 1995 basis, were up 12.3 per cent to FFr3.38bn in health, up 20 per cent to FFr1.17bn in agriculture, up 12.5 per cent to FFr870m in chemicals, and up 33 per cent to FFr883m in fibres.

Rhône-Poulenc

Share price relative to the SBF 120 Index



Source: FT Extel

Accor returns to the black at midway

By Andrew Jack in Paris

Accor, the French hotels and travel group, returned to the black for the first half of the year, with net profits of FFr29m ($5.95m), compared with losses of FFr264m in the previous comparable period.

Operating profits rose more than four-fold to FFr479m from FFr107m, largely by improved occupancy rates and tariffs in its hotels – notably in the US – and growth in the services it provides.

Turnover fell 2.1 per cent to FFr15.99bn, reflecting its withdrawal from some restaurant services and the effects of exchange rate fluctuations, without which, the group said, sales would have risen by 8.3 per cent.

Mr Gérard Pélisson, joint chairman, said Accor aimed to reduce its high levels of debt – FFr21.2bn at the end of 1994 – to FFr19bn this year and FFr17bn by the end of 1996. This would be achieved through its continued programme of asset sales.

"We don't intend to stop there," he said. "We are going to reduce it slowly." He also said he believed it was feasible for the group to double its earnings per share between now and 2000.

Mr Pélisson stressed that given the seasonal nature of the group's business, the second half of 1995 should be significantly better than the first and should allow a significant increase in earnings per share for 1995.

Net income from the hotels sector in the first half was FFr910m, compared with FFr643m in the first half last year. Services to companies rose to FFr535m, against FFr468m, and losses on other activities fell to FFr10m, compared with losses of FFr20m last time. Financial charges were FFr878m, down from FFr908m.

Average income per room in the group's traditional European hotels rose 4.5 per cent between September last year and this year, and in its Motel 6 chain, the US company acquired in 1990, by 6.3 per cent over the same period.

Ferfin shares up again in response to rights

By Andrew Hill in Milan

Shares in Ferruzzi Finanziaria (Ferfin) again rose sharply yesterday as speculation continued about the future of the Italian holding company.

On Monday, the group announced plans for a rights issue aimed at raising L1,035bn ($640m) immediately and a further L104bn through the conversion of warrants. The proposal has been widely interpreted as an attempt by Mediobanca, the Milan merchant bank co-ordinating the issue, to deter potential bids for Ferfin, which controls the Montedison industrial group.

Yesterday, Ferfin's shares closed at L1,212, against an opening price of L1,074 and the rights issue price of L1,000. The shares have risen by nearly 30 per cent in the two days since the rights issue was announced and a previous plan to merge the company with Gemina, the investment company, was shelved.

Some traders said yesterday that Mediobanca was behind the latest rise in the share price. "If [the rights issue] is a poison pill it's in their interest to create a premium which would guarantee the success of the operation," one said.

A group of Ferfin's banking shareholders, headed by Istituto Bancario San Paolo di Torino, Italy's largest bank, is understood to be opposed to the capital increase. However, analysts seemed sceptical about the ability of Mediobanca's rivals to come up with a viable alternative.

● Enel, the Italian state electricity group, yesterday said first-half net profits rose from L1,129bn to L1,159bn a year earlier, AFX reports from Rome. The group forecast full-year net profits in line with last year's L1,033bn. First-half operating profits rose from L429bn to L4,454bn, and pre-tax profits from L2,398bn to L2,539bn. Turnover improved 10.5 per cent to L18,270bn.

EUROPEAN NEWS DIGEST

Sulzer strengthens profits warning

Sulzer, the Swiss engineering group, has strengthened an earlier profit warning, saying that "difficult market conditions and an extraordinary outlay could strongly affect" its 1994 net income. The group last month reported a 35 per cent slide in first-half net income to SFr22m ($16.9m) and said its full-year net income would be lower due to currency factors and potential extraordinary factors.

Yesterday's statement said substantial cost reductions at the Sulzer Infra (building industry systems) division and the Rüti textile machinery division "have not been sufficient to cover serious price declines". Infra would report a loss and Rüti "in all likelihood" would also be in loss.

Sulzer said in September that it might have to make a provision for a US patent infringement judgment last June that awarded a US company, Stryker, more than $50m in damages. Yesterday's statement said damages had been set by the court at $78m and "a negative outcome of the appeal may also affect corporate income for 1995". The group said order intake in the first nine months reached SFr4.25bn, slightly above the SFr4.17bn received in the same period of last year.

Ian Rodger, Zurich

VW confirms new model

Volkswagen, the German automotive group, yesterday announced at the Tokyo Motor Show that it would produce the "Concept 1" two-door small car, first displayed as a design study at last year's Detroit Motor Show, as a commercial venture. Mr Ferdinand Piech, chief executive, said the vehicle, which recalls the VW Beetle, would be built at the Puebla plant in Mexico.

Mr Piech gave no indication of when the new car would be launched or in what numbers it would be made. However, it is thought that Concept 1 could be introduced as early as 1998, with output levels of up to 200,000 units per year, based on the current over-capacity at Puebla.

While targeted principally at North America, Mr Jens Neumann, VW board member responsible for the US, said the new vehicle – which is roughly the same size as the Golf hatchback – would probably be made with a wide variety of equipment levels. This would allow it to span a market range from basic transportation in developing countries to a prestige "fun" vehicle in Europe.

Haig Simonian, Tokyo

Romania adviser chosen

A consortium led by Wasserstein Perella, the US boutique bank, has won a tender to advise Romania on a new mass privatisation programme (MPP) which got under way this month, privatisation officials said yesterday. The consortium will advise the State Ownership Fund which holds the state's 70 per cent stake in the 3,900 companies in the MPP, on cash sales to local and foreign investors. Stakes of up to 60 per cent of companies are due to be exchanged for free privatisation coupons issued to Romanians over the next six months. In the first phase up to a further 40 per cent will be sold for cash either by auction or public offer or to strategic investors which will be able to negotiate for stakes of 51 per cent. The consortium will advise the SOF on both the methodology for the auctions and public offers and on sales to investors.

P&G plans Romanian buy, Page 20

Virginia Marsh, Budapest

'Greenshoe' for Gucci

Heavy demand for stock in Gucci, the Italian fashion house which started trading on the New York and Amsterdam stock exchanges on Tuesday, prompted the banks underwriting the offering to exercise the "green-shoe" over-allotment option yesterday. The option to call on a further 3.67m shares from Investcorp, the Bahrain-based investment group which took control of Gucci in 1993, brought the total number of shares sold in the initial public offering to 28.18m. At a flotation price of $22, the offering raised $620m for Investcorp, which retains a 52 per cent stake in the company.

Antonia Sharpe

Logitech recovers

Logitech, the world's largest producer of computer tracking devices (mice and trackballs), reported consolidated net income of SFr3.1m in its first half to September 30, showing a continuing recovery from a SFr31.6m loss in the first half of last year. Sales were down 1.4 per cent to SFr189.5m, mainly because of the strength of the Swiss franc. At constant exchange rates, sales were up 9.6 per cent. Operating costs were down by a fifth to SFr43.9m following substantial restructuring measures last year, leaving trading profit of SFr7.4m compared with a loss of SFr5.1m.

Logitech has shifted its production from the US and Europe to Taiwan and China to maintain its competitiveness and it has shed marginal businesses to concentrate on tracking devices and scanners.

Ian Rodger

Jyske Bank improves

Jyske Bank, the Jutland-based bank, increased pre-tax profits after nine months from DKr66m last year to DKr636m ($117.96m). The improvement followed a substantial swing in capital from losses to gains on the securities portfolio and foreign exchange. These moved from a loss of DKr419m to a gain of DKr350m. Earnings on normal business operations slipped from DKr855m to DKr816m before loss provisions, but the bank said earnings were DKr20m ahead of the budget. Provisions were on a level with last year at DKr240m. The bank reported a capital adequacy ratio of 11.0 per cent, with a ratio for tier 1 capital of 8.5 per cent.

Hilary Barnes, Copenhagen

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Property puts Générale des Eaux under pressure

The French group needs to play a smart hand in allocating its resources, writes **John Ridding**

Mr Jean-Marie Messier, managing director of Générale des Eaux, describes the French services and utilities group as "a medium-sized company in international terms". "So", he says, "we must be sure we play our cards well."

It is a modest assessment of one of France's biggest and best-known companies, which achieves annual sales of about FFr160bn ($32.82bn) and supplies services from water to cable television, and from transport to telecoms. But, for the moment, there is much to be modest about.

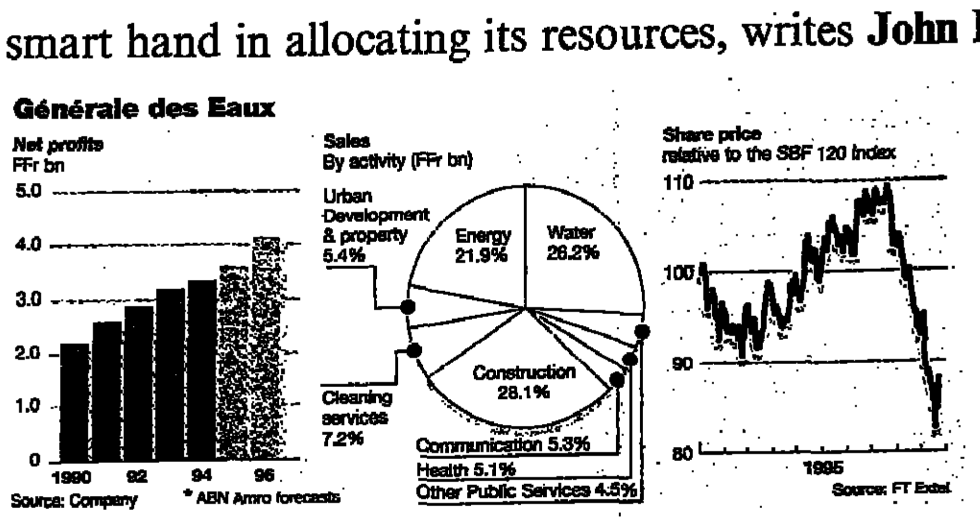
Last Friday's announcement of a sharp fall in first-half profits and the need for property provisions of FFr6bn-FFr7bn for the full year, means Générale des Eaux is heading for its first post-war loss. The group is confident of a strong rebound in 1996, as are most industry analysts. But the current predicament reveals the pressure to resolve its property woes and to play a smarter hand in allocating resources across its sprawling empire.

Mr Messier is taking up the challenge. Since arriving last year from Lazard Frères, the investment bank, he has cleaned up the group's accounts and sharpened its strategy ahead of his planned succession from Mr Guy Dejouany, the 74-year-old chairman expected to step down in 1996. At the heart of his mission is the need to find a solution to Générale's property problems and the expansion of target areas: water and electricity supply abroad and telecoms in France.

In Mr Messier's view, the property problems should be mastered by the end of the year. He has already overhauled management and taken substantial provisions for Compagnie Immobilière Phénix, the biggest money-loser among the group's 500-odd property businesses. By the middle of next month, he plans to unveil a broader restructuring which is expected to combine the property operations in a single company with new management and strict financial controls. "Property has operated with an open cheque book," he says.

The impact of property provisions, and the expected fall into loss after last year's net profit of FFr3.35bn, will be offset by proceeds from asset disposals. Générale des Eaux remains guarded about what is up for sale, although probable candidates include its 33 per cent stake in Eiffage, one of France's largest construction groups.

If staunching property wounds is the defensive part of Générale des Eaux's strategy, an equal challenge is the expansion of the company in its traditional and target areas.



The first-half results revealed a promising platform. Excluding property and construction, operating profits rose by about 5 per cent to FFr1.9bn, with significant growth in international services operations. Sales outside France rose by 17.5 per cent to FFr24.4bn, while big contracts in water and electricity supply were won in Puerto Rico, the UK, Australia and Malaysia. In the US, the French group's electricity generation business doubled its sales.

In France, the group's core service businesses saw only moderate growth. In telecoms, however, the rate of expansion proved rapid. SFR, the company's mobile telecoms division and one of the country's two existing networks, is on course to increase sales by almost 60 per cent this year.

For telecoms, as for the group's other growth areas, industry observers see benefits in Mr Messier's strategy. "They are sectors with high growth potential," says one industry analyst. Investors have also welcomed the move to address the property problems, driving shares up sharply since Monday. For some observers, however, there remain several caveats.

One concern is the fact that Générale des Eaux is not alone in its strategic choices. Competition is intensifying in utilities and telecoms as French and international rivals are drawn to the potential of liberalising markets. Lyonnaise des Eaux, its long-standing rival, is seeking to expand in telecoms through its cable television operations, while Bouygues, the construction group, is currently building the country's third mobile telecoms network.

Of equal concern is the cost of investment. In telecoms, for example, Mr Messier plans to invest about FFr4bn this year. Marketing and technology expenditure at SFR, necessary to increase its market share, prompted an operating loss of FFr567m in the first six month.

The company's solution is partly to ease the burden through securing partnerships. Last year, Générale des Eaux announced that Vodafone of the UK and Southwestern Bell of the US were taking or increasing stakes in its mobile telecoms arm as part of an alliance. In international utilities, the French group has teamed up with Thames Water of the UK to bid for projects in the Asia-Pacific region.

But some observers believe there is also a need to move further and faster in restructuring within the company. "The resources required to be a big player in these areas mean not only that Générale has to stop the bleeding in property but also that it must mobilise increased financial resources," says one banker. "This could mean a broader reshaping of the group and maybe the withdrawal from some activities."

In spite of the trend away from conglomerates over recent years, such a proposal remains a sensitive subject at Générale des Eaux. Mr Messier, like other senior executives, stresses the common theme of services across the group's activities. But he has also indicated willingness to make significant disposals in pursuit of strategic objectives. With the pages of investments and subsidiaries laid out in the company's annual report, he has plenty of choice in playing his hand.

SKF results fall short of market expectations

By Christopher Brown-Humes in Stockholm

SKF of Sweden, the world's leading manufacturer of rolling bearings, yesterday reported profits of SKr2.58bn ($388.4m) for the first nine months, a weaker-than-expected result that reflected flatter third-quarter demand.

The result more than doubled last year's SKr1.14bn profit, but was about SKr100m short of market expectations. The group's B shares fell SKr3 to SKr128 for a two-day drop of 4.5 per cent.

The group said the third quarter – when profits rose from SKr324m to SKr720m – was normally its weakest, but volumes had still risen by less than anticipated. Its forecasts for full-year deliveries had been refined downwards to 10 per cent from 15 per cent.

SKF is often seen as a bellwether of the world economy because it has global reach and its products are used in machines in many different sectors.

It said latest figures showed demand, which had weakened in the second quarter, were now flat, but this was a plateau, not the peak of the current cycle, it believed. Further volume growth was expected next year, it stressed.

The main disappointment has been the automotive sector, SKF's biggest single customer. Car sales in both Europe and the US levelled off and the US heavy truck market weakened. By contrast, the European truck market showed continued strength.

But SKF stressed it had gained share in both markets, partly because of the success of new car models with a high SKF bearings content.

The group's other customer segments, machinery and after-market (secondary trading), also saw a weaker trend towards the end of the third quarter. But whereas machinery demand had generally been robust, particularly for precision bearings, the after-market had been hit by inventory rundowns, it said. The group stressed that in some segments – such as textile components and aircraft engines – demand was still increasing.

SKF said a 10 per cent rise in deliveries was the main reason for a 14.4 per cent increase in nine-month sales to SKr28.18bn. It also achieved some modest price rises. Operating profits rose from SKr1.67bn to SKr3.06bn.

The bearings division saw profits bounce from SKr837m to SKr2.18bn while the Ovako special steels unit increased profits from SKr102m to SKr230m. Ovako was also hit by weaker third-quarter demand.

SKF suffered three consecutive years of losses between 1991 and 1993 but is determined to perform better during the next cyclical downturn. It is trying to make deeper inroads into the US and Asian markets, is boosting research and development spending, and aiming for a better product mix.

Credit Suisse ahead after nine months

By Ian Rodger in Zurich

Credit Suisse, the flagship bank of the CS Holding financial services group, said trading profits in the first nine months of 1995 were roughly equal to the SFr3.26bn ($2.9bn) it made in the whole of last year.

However, Mr Josef Ackermann, chief executive, warned against projecting this figure into a profit increase for the full year. Last year, the bank, which accounted for three-quarters of the CS group's SFr1.33bn net income, made a SFr270m extraordinary gain on the December sale of a 10 per cent stake in its Credit Suisse Financial Products derivatives subsidiary to Swiss Reinsurance.

Mr Ackermann, speaking at the bank's autumn press conference, said there was still some uncertainty about the level of bad debt provisions that would be needed this year.

Like the other big Swiss banks, Credit Suisse has been hurt by the slump in the Swiss property market. But Mr Ackermann said Credit Suisse's provisions in the first nine months of 1995 were lower than in the same period last year, in line with an ambitious budget. He said Credit Suisse had become sceptical about the Swiss property market two years ago and made substantial provisions then.

Mr Ackermann said the integration of Swiss Volksbank, acquired in early 1993, was virtually complete and that Volksbank would make a profit of more than SFr100m this year after two years of losses.

The total cost of the acquisition was larger than expected, amounting to SFr2.6bn including advances to cover losses. However, Mr Ackermann said the cost savings to the enlarged bank were also proving greater than expected, and would exceed SFr400m a year by 1997. That suggested to him that the value of the Volksbank acquisition was about SFr3.6bn, some SFr1bn more than CS paid for it.

Mr Ackermann said the acquisition had transformed Credit Suisse, formerly a weak third runner in the Swiss domestic market, into the market leader with the critical mass needed to thrive. CS claims market shares of between 17 per cent and 20 per cent in the main retail banking sectors.

Procter & Gamble plans Romanian acquisition

By Virginia Marsh in Budapest

Procter & Gamble, the US consumer goods group, has signed a letter of intent to buy part of a Romanian chemicals and detergent plant and is expected to complete the deal shortly, Romanian privatisation officials said yesterday.

P & G has been in discussions for almost a year with the State Ownership Fund, the privatisation body, over the purchase of the detergents division of the Romtensid chemicals plant near Timisoara, close to the Hungarian and Serbian borders. Romania, the second largest market in eastern Europe, produced 33,000 tonnes of detergent and imported a further 50,000 tonnes last year.

The acquisition would be P & G's first production venture in Romania, where it has had a presence for five years. In May, Unilever, the Anglo-Dutch company which is one of P & G's main competitors, paid $20m for a 70 per cent stake in Dero, Romania's other leading detergents producer.

The SOF is being advised by Creditanstalt, the Austrian bank, which was brought in last year by the European Union and the European Bank for Reconstruction and Development to help the SOF to negotiate sales to foreign investors. Romania has sold some 1,300 companies under a 1992 privatisation scheme, but only a handful have been bought by foreign investors.

P&G results, facing page

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AMERICAS NEWS DIGEST

Andersen revenues gain 21% for year

Arthur Andersen and Andersen Consulting, which comprise the world's largest professional services firm, yesterday announced combined revenues for the year to August of $8.1bn, a 21 per cent gain on the previous year. Mr Lawrence Weinbach, managing partner of Arthur Andersen & Co, the co-ordinating body for the two sides of the firm, said revenues at Andersen Consulting rose 24 per cent to $4bn, while Arthur Andersen gained 18 per cent to $4.1bn.

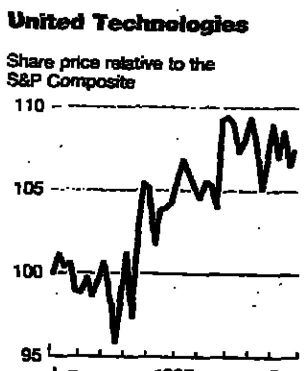
More than 2,000 partners of the firm, meeting in Chicago, were also told that Arthur Andersen & Co is to change its name to Andersen Worldwide – subject to later ratification by the partners.

Mr Weinbach said the results reflected the overall strength of the main economies, but were also due to innovation, citing a range of new financial, tax, and business integration services offered by the firm. Last year, Andersen's fee income rose 12 per cent to $6.7bn, allowing it to increase its lead at the top of the fee income league. The latest results are likely to widen that lead still further when the rest of the Big Six report later this year. *Jim Kelly, Accountancy Correspondent*

United Technologies climbs 12%

United Technologies

Share price relative to the S&P Composite



Source: FT Extel

United Technologies, the diversified US manufacturer, increased earnings by 12 per cent in the third quarter to $210m, with strong profits growth at Pratt & Whitney aero engines and Otis lifts partly offset by a drop in volume at Sikorsky helicopters. Earnings per share rose 13 per cent to $1.60. Group sales increased 8 per cent to $5.7bn, led by a 17 per cent jump in the Asia-Pacific region and a 15 per cent rise in international markets overall. Pratt & Whitney increased revenues by 11 per cent to $1.5bn and operating profits by 19 per cent to $131m. Revenues at Otis were up 14 per cent at $1.3bn, while profits rose 17 per cent to $130m.

Profits at the Carrier heating and air conditioning division rose 13 per cent to $144m, while the flight systems division, which includes Sikorsky, suffered a 10 per cent fall in revenues and a 30 per cent drop in profits to $40m. *Tony Jackson, New York*

Slower growth at 3M in term

Growth at Minnesota Mining and Manufacturing (3M), the diversified manufacturer, slowed further in the third quarter, with earnings up 1 per cent at $344m, or $0.82 a share. However, the company said it expected an improvement in the final quarter, helped by new products, higher prices and better productivity.

Sales volume in the US rose 2 per cent and prices were up 1 per cent on average. For the nine-month period, US prices were unchanged. International sales volume increased 6 per cent and prices 1 per cent, with a further 4 per cent added on currency translation. The company said that while third-quarter earnings were a record, results had been held back by sharply higher raw material prices and slower US economic growth. *Tony Jackson*

Bethlehem Steel disappoints

Price competition in the US and weaker demand from car manufacturers in the summer led Bethlehem Steel to report after-tax earnings of $34m, or 22 cents a share, in the latest quarter, below most analysts' expectations. However, Mr Curtis Barnette, chairman, was optimistic about prospects for the rest of this year and 1996. Conditions in the steel market remained good, and "customers appear to have reduced their inventories to more normal levels", he said.

The company's latest results were better than a year ago, when Bethlehem reported net income of $10m. Operating profit per ton in the company's basic steel operations rose from $13 to $29. Third-quarter net income was below the $50m of the second three months of this year, however, as operating profits from the basic steel business fell 30 per cent to $68m. This was attributable to lower realised prices and an unfavourable product mix. *Richard Waters, New York*

Higher prices lift Noranda

Noranda, Canada's biggest resource group, benefited from higher base metal and forest products prices in the third quarter, posting net profit of C$127m (US$92.7m), or 55 cents a share, up 63 per cent from $78m, or 35 cents, a year earlier, on revenues of $2.1bn against $1.8bn. Nine-month earnings were $411m, or $1.80 a share, up from $203m, or 88 cents, on revenues of $6.4bn, after $4.8bn. *Robert Gibbens, Montreal*

Decline in operating costs helps Telmex

By Daniel Dombey in Mexico City

Increased revenues from international calls and a reduction in operating expenses helped Teléfonos de México (Telmex), the country's dominant telecommunications company, report a smaller than expected decline in profits for the third quarter. The figures follow two quarters of disappointing results.

"The results are positive given the clear commitment to reduce costs at the operating level," said Mr Ricardo Peón, head of research at Baring Securities in Mexico City.

However, part of the increase in operating profits was attributable to a fall in reserves for settlement fees to be paid to AT&T of the US for international traffic.

For the three months to September, Telmex's operating margin stood at 38.5 per cent, against 41.6 per cent a year earlier. Much of the fall was linked to greater depreciation cost in pesos for equipment with dollar price-tags.

Net income for the third quarter stood at 3.4bn pesos ($503m), down 11.2 per cent from a year earlier, although the figure was only 2.3 per cent lower if the 341m peso acquisition of 49 per cent of Empresas Cablevisión, a cable operator, is excluded. At 9.2bn pesos, sales were 12 per cent down on a year earlier.

International long distance calls, which represent a quarter of Telmex's revenues, increased 22.6 per cent.

Taking the fall in reserves for settlement fees into account, Telmex reduced operating expenses by 7.6 per cent from a year earlier. Omitting the measure, operating expenses fell 2.7 per cent, largely because Telmex focused its expansion programmes on more software, such as improved telephone services, rather than hardware.

Telmex is expected to announce price rises of about 16 per cent to 18 per cent in the next month. "The increase in local tariffs will be especially significant, because demand there is relatively inelastic," said Mr Rizwan Ali, a telecommunications analyst at Morgan Stanley in New York.

● Moody's Investors Service is reviewing its ratings of Banco Bamerindus and Banco Nacional, two of Brazil's biggest banks, writes Jonathan Wheatley in São Paulo. Moody's said the banks' bond, foreign currency deposits and financial strength ratings were under review for a possible downgrade.

Investors have been concerned about Brazil's banking sector since the central bank intervened in Banco Econômico, the country's eighth-biggest private bank, in August. There was speculation Bamerindus or Nacional could be next, although reports of difficulties at the banks seem to have been exaggerated.

Good first quarter for Procter & Gamble

By Maggie Urry in New York

Procter & Gamble, the US consumer products group, reported net income up 13 per cent for the first quarter of its financial year, meeting predictions made by Mr John Pepper, the new chairman, at the annual meeting earlier this month.

Net income rose from $792m to $896m, with fully diluted earnings per share up from $1.05 to $1.18. Mr Pepper said yesterday that the quarter provided "a solid start to our fiscal year".

Sales in the three months to September 30 were 10 per cent higher at $9.03bn. That included a 9 per cent rise in unit volumes worldwide, setting a record.

In North America, volumes rose 6 per cent and sales increased 7 per cent with earnings up 8 per cent. P&G said the food and beverage businesses provided the strongest growth.

Laundry and cleaning products led the advance in Europe, the Middle East and Africa, where volumes rose 12 per cent, giving sales growth of 16 per cent. Earnings rose 20 per cent as costs were kept under control.

The fast growth rate in Asia continued, with volumes up 22 per cent. Heavy investment in the area, particularly China where P&G is hoping to repeat its success with shampoos in laundry products, held back earnings growth to 9 per cent.

Latin American volumes rose 6 per cent, although this included a 3 per cent fall in Mexico. Earnings from the region fell 7 per cent.

The effect of the Mexican peso's devaluation offset currency gains from other parts of the world.

● Sara Lee, the foods and personal products group, reported record results for the first quarter of its financial year. Net income rose from $165m to $186m, and earnings per share were up from 32 to 36 cents, fully diluted.

All four divisions showed increases in operating profits above 10 per cent. Group operating income rose 15 per cent to $389m. There was a jump in central expenses from $39m to $60m and a $2m rise in net interest charges.

Personal products increased operating profits by 12 per cent to $160m, on sales 4 per cent higher. Hosiery in the US and underwear in Europe were the strongest performers.

Coffee and grocery profits rose 26 per cent to $112m, aided by higher coffee prices, acquisitions, and the weakness of the dollar in translating profits from outside the US.

Acquisitions contributed to a 11 per cent rise in profits from packaged meats and bakery to $80m, while household and personal care profits increased 10 per cent to $37m.

Du Pont shares tumble despite higher earnings

By Tony Jackson in New York

Shares in Du Pont, the largest US chemical company, dropped 6 per cent yesterday on disappointing third-quarter figures. Although the headline figure showed earnings growth of 45 per cent, the underlying increase was about 5 per cent.

The shares were down $4¼ at $60⅞ at lunchtime.

Du Pont blamed the performance on sluggish economic conditions, and warned of a build-up of inventories spreading from the US to other parts of the world, particularly the Asia-Pacific region.

The company said volume sales of chemicals and specialty products were almost unchanged, while prices rose 6 per cent. Lower volume in the US was offset by increases abroad. Oil revenues from Conoco were up 1 per cent.

The company said that after a 2 per cent drop in US chemical volume in the second quarter, it had expected a revival in the third. Instead, the fall had continued and the company said it did not see "any signs of fundamental change in the fourth quarter".

Stated earnings per share were broadly in line with market forecasts, at $1.38 compared with 95 cents. However, 12 cents of that was due to an unexpected gain from lower costs from environmental clean-ups. Du Pont attributed this partly to relaxation of environmental requirements in several US states, and said environmental charges in 1996 would drop from $175m to less than $100m.

Earnings were also helped by an unexpected change in the allocation of earnings from Du Pont's pharmaceutical joint venture with Merck.

The fall in the number of shares resulting from the $8.8bn buy-back from Seagram earlier this year also helped earnings. Allowing for this, the company said earnings rose by 28 per cent rather than 45 per cent before the special gains.

Underlying profits in chemicals rose 55 per cent to $159m, fibres profits rose 18 per cent to $194m, and polymers profits 12 per cent to $198m. Conoco's profits were up 6 per cent at $182m.

Timberland cancels global advertising campaign

By Raymond Snoddy

Timberland, the US-based boot and clothing company, has given up its brief flirtation with the City slickers from Madison Avenue and its plans for international image marketing.

In May, the company appointed BBDO, the Omnicom group agency, to handle its worldwide advertising and replace a multiplicity of local agencies.

The move followed the recruitment a year ago of Mr Don Maurer, a former BBDO employee, as senior vice-president for international marketing.

However, there were always doubts in the New Hampshire headquarters of the manufacturers of rugged footwear and chunky sweatshirts about the wisdom of the global advertising campaign, due to begin in the spring.

Earlier this month, Mr Sidney Swartz, who runs the company with his son Jeffrey and is son of the founder, was sounding doubtful about the initiative.

"We could have allowed the company to remain a small, cult brand. In some respects I wish we had. The brand took control of us, rather than us controlling the brand. We got romanced by the opportunities," he said.

Timberland is now determined to put the brake on fanciful ideas and concentrate on getting its margins more in line with fast increasing sales.

BBDO has resigned from the account. The global advertising campaign has been cancelled and Mr Maurer has gone. "He will not be replaced," the company said yesterday.

Instead, the advertising and marketing budget will go where it always has – with local agencies in the more than 50 countries where Timberland has become a fashion brand, and in support of the stores which sell its products.

Earlier this month, Mr Jeffrey Swartz was, like his father, making Timberland's priorities clear. "Nineteen-ninety-five is about remembering who we are and focusing on what we do best. This is the company that makes yellow boots," he said.

The bad news for BBDO is paradoxically good news for Abbot Mead Vickers - BBDO in the UK. They already have Timberland's UK account and will now be able to get on with it without any danger of interference from Madison Avenue.

Vocaltec to widen range of services on Internet

By Alan Cane

Vocaltec, the New Jersey-based company which shook the global telephone industry earlier this year by offering low cost voice calls over the Internet, plans to extend its activities to video-conferencing and multimedia.

Mr Elon Ganor, chairman and chief executive, said the five-year old company's strategy was to become a leading provider of software which would make possible advanced communications over the Internet, the informal computer network linking about 30m users worldwide. "The Internet is not a fly-by-night and Internet Phone [IPhone] is not a gimmick," he said.

Vocaltec, which carries out its research and development in Israel, attracted attention earlier this year with the launch of IPhone, a $69 software package enabling Internet users to converse worldwide for the cost of a local call.

Sending voice calls over the Internet has been technically possible for some time; Vocaltec was the first, however, to market a practical system.

There are some drawbacks, however. Both parties have to have powerful personal computers with microphones and loudspeakers switched on and linked to the Internet for a conversation to take place. "I cannot call my mother with this phone," Mr Ganor says.

Furthermore, call quality does not match the standards most people are used to. There is a lag on the line of between half a second and two seconds, compared with a maximum delay of one tenth of a second using a conventional network.

Mr Ganor says that with the present structure of the Internet he does not believe the delay can be cut to less than a third of a second. Overall sound quality is about the same as a speakerphone, he claims, and slightly better than the average mobile phone service in the US.

Mr Ganor expects, nevertheless, that he will have more than 7m Iphone users by the middle of next year. Potential customers are offered a free 60-second demonstration over the Internet.

He believes it will have widespread appeal to people such as ham radio enthusiasts, for whom it will provide a means of worldwide communication without the need to buy expensive equipment or pass proficiency tests to be allowed to operate it.

A version for Apple Macintosh computers, due to be released by the year-end, and the possibility of using a conventional telephone handset as the terminal, should widen the range of potential customers. "I don't expect to see too many Fortune 500 companies using Iphone, but we are already seeing a level of interest from industry," Mr Ganor says.

Most international telecoms operators are keeping an open mind about the significance of Iphone for their revenues, while pointing to the gap between the quality of service it delivers and their own products.

Mr Ganor believes that while the big operators may lose some international revenues to Iphone, it will expand the overall market for global communications. It will therefore become another way to communicate rather than a replacement for existing services.

Last month, Vocaltec introduced a product, Internetwave, or IWave, which allows radio stations, entertainment companies and others to broadcast shows, lectures and music in a high quality audio format across the Internet.

Vocaltec provides the software for Iwave free as a promotional tool for Iphone. Mr Ganor openly admits the company's aim is to establish a de facto standard for telephone conversations across the Internet.

It has established alliances with companies including Boca Research, Motorola and Netcom, all of the US, to help achieve this objective.

Vocaltec is still a private company but Mr Ganor says it is considering its options. It has adequate funding at present, he says.

Occidental in cost-cutting plan

By Christopher Parkes in Los Angeles

Occidental Petroleum plans to reduce costs by $100m a year by consolidating its global oil and gas businesses into a single operating company.

The Los Angeles-based group, which has been restructuring since the death of founder-chairman Mr Armand Hammer in late 1990, said the costs of the move would be covered by an unspecified charge on this year's fourth-quarter earnings.

Operations would be run in future from Bakersfield, California, under Mr David Martin, president of Occidental Oil & Gas.

Selected foreign offices might also be affected in the consolidation, which would include the transfer of mid-US operations currently carried out in Oklahoma City to Tulsa, the company said. The crude sales office in Houston would be closed and its functions shifted to Bakersfield.

Full details of the plan will be announced in mid-January.

Oil and gas operations, which are now almost half the size of the chemicals division in terms of revenues, were slimmed down in the third quarter of last year by the sale of the group's Argentine production unit.

Redundancies have reduced the group's workforce from 55,400 since December 1994 to 19,600 at the end of last year.

The group last week reported third-quarter net up from $23m, or 1 cent a share, to $139m, or 36 cents, on sales up from $2.4bn to $2.6bn.

● Amerada Hess reported a sharp increase in third-quarter losses to $105m, or $1.13 a share, from $1.9m, or 2 cents, for the same period of 1994. This included 21 cents a share due to losses incurred by Hurricane Marilyn, and staff reduction costs of 15 cents.

Cantv grapples with its brave new world

Venezuelan telecoms group has pleased consumers but has yet to convince investors

Latin American telecoms

Of the many foreign acquisitions of privatised telephone companies in Latin America, the 1991 takeover of Cantv of Venezuela by a consortium led by GTE of the US remains the most questioned.

For consumers, privatisation has yielded benefits. Service has improved, waiting lists have been cut, access lines have increased from 1.9m to 2.8m and telephone density is now one-in-eight of the population against 1-in-11 in 1991.

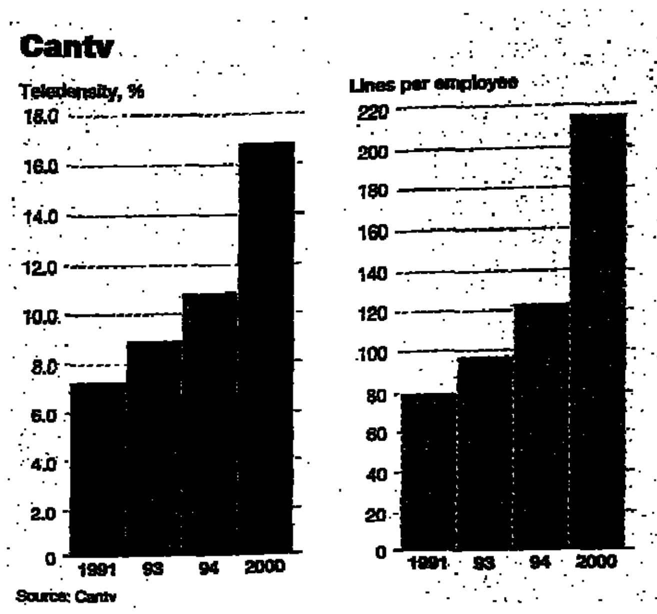
Yet for investors, the experience has been less successful and has highlighted some of the pitfalls of direct investment in developing countries.

The company's difficulties began almost as soon as it was privatised. Venezuela was battered by a succession of political and economic crises that resulted in high inflation and a continuing recession. Worse, Cantv's relations with the government deteriorated rapidly – unfortunate because the government was the company's regulator and its main shareholder and principal customer.

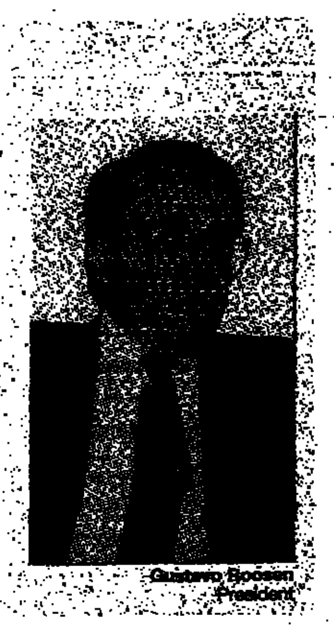
The consortium – of which GTE owns 51 per cent and a group of other companies, including Spain's Telefónica, the remainder – paid $1.89bn for 40 per cent of Cantv. It was a typical state-owned Latin American telephone company. There were heavy cross-subsidies that meant long-distance and international callers paid over the odds to subsidise local users; long waiting lists for telephones and therefore corruption; a public sector management culture; and militant trade unions.

If the new management had bargained for all this, it had not factored into its calculations a rocky relationship with its inexperienced industry regulator. "The regulator's understanding of the business was weak and this meant the company got more confrontation than guidance," one observer says.

Most damaging to the company was the regulator's refusal to allow the rebalancing of tariffs between local and long-distance users – an issue the company believed it had settled in its initial privatisation agreement with the government. The issue became more important as intensifying competition from call-back services – which allow users to avoid high domestic tariffs by accessing the low-cost US system – creamed off a growing share of Cantv's international business.



Source: Cantv



Gustavo Roosen, President

The authorities made Cantv's life difficult in other ways. Various governments – states and municipalities are the worst offenders – have been delinquent payers, owing about 20bn bolivars ($117.6m) in overdue phone bills.

Cantv is pursuing a more aggressive policy of cutting off service, which has succeeded in reducing the delay by about 100 days. However, the average government bill remains 400 days late – a heavy cost to the company while inflation is at an annual 60 per cent.

Another complication has been the company's foreign currency debt. In the first flush of privatisation, the management spent significantly more than scheduled under its capital spending programme, which required spending of $6bn in the 1992-2000 period during which the company enjoys a monopoly. A collapse in the country's credit rating meant Cantv could not refinance the short-term debt it used to finance this spending, after which the government's mid-1994 exchange controls made foreign currency hard to obtain and the debt impossible to service.

Cantv has in the last few months rescheduled about $1bn of foreign debt, giving it an average debt maturity of about 4¼ years. Of this, $525m was owed to international banks, $447m of which was in US dollars and the rest in local currency, and was rescheduled over three to four years.

> Cantv has told its shareholders that it expects to return to profitability this year, after posting a $44m loss in 1994. However, the earliest a dividend can be expected is 1998

The company has told bankers it is optimistic that the government will ensure foreign exchange availability to meet scheduled payments, including a principal repayment due in December. Mr Brian O'Neill, head of Latin America for Chase Manhattan, which led the debt rescheduling talks for the banks, said: "The way the Venezuelan government treats Cantv could either be the best advertisement for the country, or the worst."

The company's relations with the government have improved. It drafted in as president Mr Gustavo Roosen, a former head of the national oil company Petroleos de Venezuela, with an understanding of Venezuelan bureaucracy.

It has also forged a more constructive relationship with Mr José Soriano, the new regulator appointed this year. The government has formed a ministerial level committee to manage its complicated relationship with the company in which it has a 49 per cent stake.

This committee appears to have played a role in securing the promise of foreign exchange for debt servicing. Its creation reflects in part the realisation in government that it and the company have a close identity of interest. Cantv represents one of its most valuable assets, and a large part of a privatisation programme on hold because of the country's economic woes.

To the company's relief, Mr Soriano has authorised moves to begin rebalancing tariffs. A tariff increase for local calls went into force this month, while prices for long-distance and international calls will remain unchanged at least until next April. In January, the company is authorised to offer customers three rental tariffs, depending on usage.

However, there are still difficulties. The new regulator has backed a 1993 decision to deny Cantv the right to add video to its voice, data transmission and cellular telephone services. The company has warned that inability to deliver video has to affect its investment decisions, particularly in the so-called "last mile" to the consumer.

Mr Roosen, who has just over 20,000 employees, has nonetheless announced plans for investments totalling $530m next year, which includes $380m in new equipment spending.

The plans, which depend to some extent on the availability of foreign finance, include the installation of 360,000 lines, expanding rural services and the completion of the sea cable to the city of Cumana. This compares with an investment of more than $300m this year, in which 150,000 lines were installed. Although below the amount scheduled, the company is still ahead of its investment schedule because of the heavy spending in the early years.

Cantv has told shareholders it expects to return to profitability this year, after posting a $44m loss in 1994. However, dividends are not imminent, as they are precluded under the company's agreements with its bankers and by its investment plans. The earliest a dividend can be expected is in 1998.

If some aspects of the company's business have improved over the last year, there are still many questions ahead. Most concern the state of its market in the face of Venezuela's continuing recession. Real wages and consumption have fallen, and people are using their phones less. While its waiting list still has 800,000 names on it, the company found this year that when it came to install telephones, about half on the list no longer wanted service. As a result, the company's 1991 projections look optimistic and its investment programme may be over-ambitious.

Stephen Fidler

This is the seventh in a series. Previous articles appeared on September 8, 13, 15, 20 and 22, and October 10

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 26.10.95: Pool purchase price £/MWh	Final Prices for Trading on 28.09.95: Pool purchase price £/MWh	Pool selling price £/MWh
0030	8.97	8.93	9.94
0100	8.98	8.93	9.94
0130	8.98	8.93	9.94
0200	8.98	8.93	9.94
0230	8.97	8.93	9.94
0300	8.93	8.93	9.94
0330	8.93	8.93	9.94
0400	8.93	8.93	9.94
0430	8.92	8.93	9.94
0500	8.92	8.93	9.94
0530	8.98	11.90	12.91
0600	8.92	11.90	12.91
0630	9.02	11.90	12.91
0700	8.93	16.92	18.93
0730	15.60	17.67	18.77
0800	15.60	17.60	18.97
0830	19.41	19.29	20.81
0900	22.86	20.26	22.03
0930	31.82	20.65	22.51
1000	31.82	21.28	23.28
1030	31.82	21.40	23.43
1100	24.54	21.60	23.69
1130	22.86	22.42	24.73
1200	31.30	30.09	32.62
1230	31.30	29.63	31.93
1300	22.86	28.16	30.12
1330	22.86	18.31	20.89
1400	19.41	18.60	20.00
1430	19.41	18.21	19.51
1500	19.41	18.14	19.42
1530	19.41	18.18	19.47
1600	19.42	18.67	20.11
1630	22.84	20.01	21.81
1700	29.71	21.26	23.35
1730	48.90	21.14	23.12
1800	60.60	19.76	21.43
1830	57.65	19.14	20.67
1900	34.43	21.85	24.15
1930	27.37	43.25	45.63
2000	23.54	43.03	45.44
2030	22.52	24.82	26.55
2100	22.52	20.50	21.80
2130	19.21	17.78	18.90
2200	15.60	17.49	18.52
2230	15.59	16.76	17.79
2300	14.86	16.77	17.79
2330	9.04	16.77	17.79
2400	9.02	12.54	13.56

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6759 between 8:30am and 5:15pm Monday to Friday.
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Bank of Tokyo lifts profits forecasts

By Gerard Baker in Tokyo

Bank of Tokyo, one of Japan's stronger financial institutions, said yesterday it had revised upward its profits estimates for the half-year to the end of September.

The bank said a strong performance in yen-denominated interest income had helped raise its recurring profit – before extraordinary items and tax – for the period to Y53bn ($529m), compared with a forecast earlier this year of Y35bn.

Operating revenue was now projected at Y930bn, against the previous forecast of Y700bn, lifted by swap trading and other off-balance sheet income.

In the same period last year the bank recorded a recurring profit of Y30.8bn on operating revenue of Y707.9bn. But after-tax profit for the current year's first half was estimated to have declined to Y15bn from Y34.6bn last year as the bank stepped up its write-offs of non-performing loans.

In the first six months of the current financial year all banks benefited from a highly favourable interest rate environment. Short-term interest rates were pushed sharply lower by the Bank of Japan, while long-term rates also declined, but more slowly.

The domestic bond market also gained from a weak economy and falling interest rates. The yield on the benchmark 10-year government bond fell from over 4.5 per cent at the start of the period to below 2.7 per cent at end-September.

Bank of Tokyo has traditionally specialised in foreign exchange services, but in recent years the company has diversified and now offers the full range of commercial bank operations. It has one of the lowest proportions of non-performing assets in its loan book among the main banks. On current profit trends it could eliminate its remaining bad loans within five years.

Next year it will be merged with Mitsubishi Bank to become the largest bank in the world, with combined assets of more than Y70,000bn.

Fujitsu pre-tax profit up 145% at halfway

By Michiyo Nakamoto in Tokyo

Strong demand for semiconductors and communications systems enabled Fujitsu, the Japanese high-technology manufacturer, to weather a sluggish economic climate at home and more than double group profits in the first half of the year.

Fujitsu said that consolidated pre-tax profits in the six months to September 30 rose 145 per cent from Y24.4bn to Y59.9bn, while net income increased from Y5.7bn to Y30.6bn.

The strong performance was supported by worldwide demand for semiconductors and higher demand for advanced telecommunications systems and information processing systems, which led to an 11 per cent rise in overall sales from Y1,484bn to Y1,644bn.

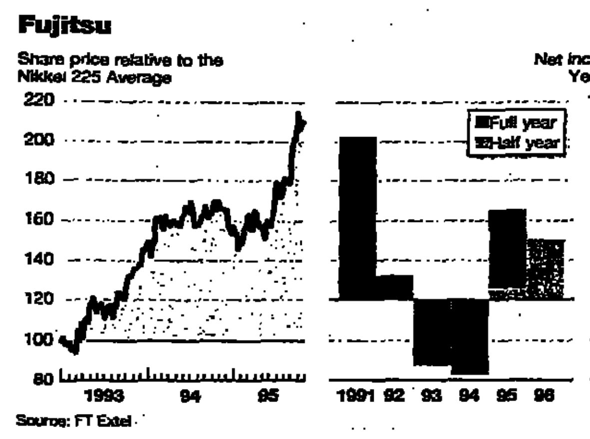
Fujitsu benefited from strong worldwide demand for memory chips in particular. In its electronic devices division, which increased sales by 12 per cent to Y255bn, semiconductors accounted for Y210bn, the company said.

The strongest growth in sales, however, was seen in the telecommunications division where revenues were up by 18 per cent to Y273bn.

Demand for advanced telecommunications systems was buoyant in the US, in particular, as operators upgraded their networks in order to supply multimedia services, such as video-on-demand. Fujitsu is a leading supplier of high-speed transmission systems needed for such services.

Domestic demand in the telecommunications equipment business was also firm on the back of strong growth in cellular phones and personal handphone systems.

Fujitsu, which is the world's second largest computer maker, has been aggressively building up its PC business in Japan.



Source: FT Extel

The information processing division, including PCs and mainframe computers, increased sales by 9 per cent to Y1,051bn, although falling prices meant that neither PCs nor mainframes were particularly profitable, the company conceded.

Fujitsu is aiming to ship 1.5m PCs through the year, or more than double the 450,000 it shipped in Japan in fiscal 1994.

The company has adopted an aggressive pricing strategy which has helped it to increase domestic market share significantly. However, because Fujitsu has only recently started to strengthen its PC business in Japan, high advertising and distribution costs have depressed profits despite strong sales, the company said.

Meanwhile, due to the fall in mainframe prices, an increase in shipments did not result in a comparable sales increase.

In its overseas operations, ICL, the UK high technology company in which Fujitsu owns an 80 per cent stake, suffered from a sluggish environment in Europe. However, Amdahl, the US mainframe maker in which it has a 45 per cent stake, is expected to achieve its target on the back of a firm US market.

In the full year, Fujitsu expects a 15 per cent rise in consolidated sales to Y3,750bn and a 100 per cent increase in net profits to Y90bn.

Banks face challenge on the home front

Australia's home loans market is changing, writes Peter Montagnon

There is little to compare with a solid portfolio of residential mortgages for making bankers happy. The margin is normally high, loans are secured against bricks and mortar and, though clients may be quite expensive to service, they will usually struggle to avoid default because that would mean losing their home.

Australia's commercial banks, especially the regional ones which dominate the country's mortgage market, have long thrived in this cosy world. But now they face an intrusion by a range of new specialist mortgage companies which are undercutting them and taking away their market market share. This month, AMP, the insurance company launched a 24-hour telephone service for selling mortgages.

Such is the growth of this non-bank business that it has raised questions about its implications for the country's financial system. Australia's investors have discovered a new market in mortgage-backed securities, but banks are worrying about how to survive in a world where lending opportunities start to disappear and margins dwindle.

According to Mr Richard Sheppard, executive director of Macquarie Bank, the investment house, securitised mortgages now make up 5 per cent of all outstanding home loans, estimated at A$120bn (US$89.6bn), but their share in new lending is substantially higher at 10 per cent, so securitised business is making an increasing impact. Macquarie Bank's Puma unit is the largest issuer of mortgage-backed securities in Australia. It handles A$200m of mortgages a month, having come from a standing start in three years.

Mr Richard Mason, head of bond research at Bain & Co, sees a number of reasons why investor appetite for mortgage-backed securities should grow.

With around A$80bn of outstanding issues, the government bond market is not large enough to absorb demand for new paper, he says. The government's borrowing requirement is shrinking as its finances are improving, and there are few alternative outlets for investors.

Corporate bonds might be an alternative for investors' money, but Bain research shows there have been no new domestic issues since 1993. Of the A$5bn in corporate issues outstanding, $3bn will mature this year and a further $1bn by July 1996.

So the new mortgage lenders will almost certainly find it increasingly easy to securitise their mortgage portfolios, and commercial banks will face remorseless pressure on their mortgage margins.

The advantage for the non-banks is cost. Companies like Aussie Home Loans, which specialise in selling no-frills mortgages on the basis of media advertisements, need neither a large balance sheet nor an expensive branch network. Neither do companies, like Macquarie, which specialise in repackaging them into securities.

Since mortgage-backed securities carry a yield of only 30 to 40 basis points above bank bills, non-banks can lend at rates around 150 basis points over the same benchmark. The banks themselves, which have to cover the cost of their branch network and other services like money transmission, still expect to charge a premium of 300 points or more. The big uncertainty is how much margin they will have to give away before the erosion in their market share stops.

Aussie Home Loans has suggested that the new lenders may eventually take up to 50 per cent of the market. According to Mr Stephen Kench, a banking analyst with ANZ MacCaugham, this is "possible but not probable."

In the US, where more than half of all mortgages are securitised, a large part of the activity is undertaken by semi-official bodies such as the Federal National Mortgage Association. Only about 10 per cent of US mortgages are securitised by a purely private vehicle, he says.

A better point of comparison might be Canada, which has a similar banking structure to Australia and where about 20 per cent of mortgages are securitised. Australia still has a long way to go before that point is reached.

The banks, moreover, will not give up easily. Advance Bank, the former Sydney building society that recently acquired BankSA of Adelaide, argues that there will always be a market for loans that are sold on the basis of something other than a basic rate. Whereas the new lenders offer plain vanilla products, banks can offer a range of options such as low initial rates, flexibility to move from fixed to floating rate and packages with ancillary products like credit cards.

Yet most admit that margins will have to come down sharply on traditional bank lending. Some banks and building societies, like Citibank and Home Building Society, have already started securitising their own home loans, although they must still hold capital against the mortgages until the Reserve Bank of Australia finalises new regulations on securitisation.

Others are expected to follow suit. By then, however, banks may be worrying about their margins in other sectors too. Having tasted success in the mortgage business, the securitisation circus is expected to move on to other assets, like credit cards and even overdrafts.

ASIA-PACIFIC DIGEST

Investment withheld from Daiwa Bank

One of Japan's leading institutional investors said yesterday it was withholding planned investments with Daiwa Bank because of the continuing uncertainty concerning the circumstances of the bank's $1.1bn involvement in unauthorised US government bond trading.

Officials at the Pension Fund Association, a public investment fund, said the planned Y600m ($5.99m) investment in the troubled Japanese bank would be postponed pending further clarification of the loss and its belated disclosure by the bank.

The fund, which will allocate a total of more than Y12bn in fresh funds in the coming year, is the first big institution publicly to withhold funds from Daiwa. The bank is unique among the 11 leading "city banks" in holding a trust banking licence, enabling it to manage pension trusts and loan trusts, a business which has been an important source of profits in the past.

The news will be a further blow to Daiwa's prospects of an early recovery from the losses. Last month it revealed that a dealer in its New York office had lost the money over 11 years of unauthorised trading. But it has subsequently emerged that Daiwa failed to inform US regulators of the losses for nearly two months after it had been told about them, and that managers at the New York branch may also have been implicated in a cover-up.

Daiwa is currently under scrutiny by banking regulators in the US and Japan, and is the subject of a criminal investigation by the FBI. *Gerard Baker, Tokyo*

Sharp gain by New Oji Paper

New Oji Paper, Japan's largest paper producer and biggest landowner, yesterday reported a more than three-fold rise in profits for the first half of the year. The group, the product of a merger between Oji Paper and Kanzaki Paper Manufacturing two years ago, made an unconsolidated recurring profit – before tax and extraordinary items – of Y22.5bn in the six months to September, up from Y6.6bn a year ago.

The strong yen held down the cost of imported inputs, mainly pulp and energy, so that margins expanded sharply. Sales rose much less than profits, by 9.3 per cent to Y295.5bn. New Oji attributed the improvement to rising demand and prices in the domestic market, plus continued cost cutting. Net profits more than doubled, from Y3.5bn to Y8.5bn.

For the full year to next March, the group forecasts recurring profits to rise 160 per cent, from Y17.3bn to Y45bn, on turnover up 8.6 per cent. *William Dawkins, Tokyo*

Cathay Pacific plans new HQ

Cathay Pacific yesterday said it would spend HK$3.5bn (US$452.7m) on a new headquarters to be located at Chep Lap Kok, Hong Kong's new international airport. Cathay said the facility, which will consist of a 10-storey office tower and a 500-room staff hotel over more than 20 storeys, would enable the airline for the first time to house all its staff at one site. Cathay staff currently work in 19 locations throughout Hong Kong.

The new airport is expected to be opened in April 1998 and Cathay hopes to have its headquarters completed by the end of that year. The airline will employ about 5,000 there.

Mr Rod Eddington, Cathay's managing director, said the airline's "huge investment" reflected "our long-term commitment to Hong Kong". Last year, Kai Tak, Hong Kong's existing airport, handled 24.2m passengers and 1.3m tonnes of air cargo. When the first runway of Chep Lap Kok is completed in 1988 the airport will have a capacity of 35m passengers. *Simon Holberton, Hong Kong*

Forecast dividend growth of 8% for next two years

Grid share price gives valuation of £3.5bn

By David Wighton

The National Grid forecasts dividend growth of 8 per cent per annum over the next two years as details of next month's demerger were finally revealed.

Yesterday's announcement included an implied valuation of about £3.5bn for the company, with a share price of 204p giving a prospective yield on the shares of 6.3 per cent.

The National Grid is owned by the 12 regional electricity companies (recs), three of which have been taken over by other companies.

The demerger involves the distribution of nine of the recs' holdings to their own shareholders with trading in the shares due to start on December 11. In the case of the three recs which have been taken over, the government has required that they sell all but 1 per cent of their holdings within a year.

The announcement of the demerger had been delayed because Hanson, which has taken over Eastern, the largest rec, was waiting for the the Inland Revenue to transfer its agreement on tax treatment from Eastern to Hanson.

Hanson had wanted to retain its shares in the Grid but the government was worried about other electricity companies having influence over the Grid.

Under the new National Grid Group's articles of association, no other UK electricity company will be able to cast more than 1 per cent of the votes at *any general meeting of the* company, however many shares they own.

The government will retain a permanent "golden share" in the company and there will be a ban on any company owning more than 15 per cent of the Grid's shares.

The details announced were largely as expected with dealings to start on December 11.

The special dividend payable by the Grid to the recs is slightly larger than expected. In addition to the £872.5m special dividend, there will be a further £86m shared among the recs according to the number of domestic customers they serve. This will compensate for the £50 a customer rebate the recs have agreed to.

In a complex deal designed to minimise tax, the recs will receive a further £172.5m dividend but will pay back the same amount through a rights issue.

For *shareholders* in the nine recs which have not been taken over, their allocation of Grid shares will be treated for tax purposes as a dividend distribution. Top rate tax payers will face a bill of 20 per cent of the value of their holding as calculated at the end of the first day's *dealings*.

Contract extended for Direct Line chief

By Ralph Atkins, Insurance Correspondent

Royal Bank of Scotland yesterday moved to remove possibly damaging uncertainty about the future of Mr Peter Wood, chief executive of its Direct Line insurance subsidiary, by extending his service agreement.

Mr George Mathewson, Royal Bank's chief executive, said the revised terms would confirm that Mr Wood remained committed to Direct Line, which he founded 10 years ago and is now the UK's largest *private* motor insurer. Mr Wood's contract will be extended by two years and then continue, subject to 12 months' notice.

Mr Wood said earlier this week that in the event of a takeover bid for Royal Bank he was prepared to build a *rival to Direct Line. He said* he might exercise his right to buy out Privilege, a sister company he set up with Royal Bank which *specialises* in insuring "non-standard" motorists.

Under the new agreement, Mr Wood could still resign if he did not like a new owner. But Mr Mathewson said that, despite continuing speculation, Royal Bank was not involved in takeover talks.

Mr Wood's revised contract does not change his salary, fixed previously at £350,000 a year plus inflation adjustments. *But it allows him* more time to spend on non-Direct Line business and to invest in a new American company he *is planning which* will sell motor and household policies. Possible markets include Canada, Mexico and the US.

Royal Bank will be able to invest in the new company but US rules on banks involvement in insurance ventures is likely to limit its involvement to about 5 per cent.

Mr Wood, a Royal Bank director, is expected to succeed Mr Mathewson as Direct Line's chairman. Under his previous contract, Mr Wood would, at the beginning of next year, have been able to give one year's notice.

Littlewoods suitors consider formal statement

By Neil Buckley

Organisers of a potential £1.2bn takeover bid for Littlewoods, the retail and football pools group which is the UK's largest privately-owned company, are considering making a formal statement this week confirming their interest in the group.

The consortium has been assembled by Mr Barry Dale, the former Littlewoods chief executive fired by the group in *March and suing it for* wrongful dismissal. Potential backers include venture capital groups Prudential, Electra, Candover Investments, Legal & General and Apax Partners.

Banks including Chemical, Deutsche, Fuji and NationsBank have been lined up to assume Littlewoods' debts. Dawnay Day, a small investment bank acting as adviser, confirmed yesterday that the group *had been assembled*, but gave no details.

Analysts expressed surprise that Mr Dale had secured potential support from so many blue chip companies, but warned Littlewoods had long been seen as almost impregnable to takeover.

Its shares are entirely held by 32 Moores family members descended from Sir John *Moores, the group's founder*. A 75 per cent vote is required before a shareholder can sell to an outsider. Some younger *family members are thought to* be keen to realise the value of their stakes.

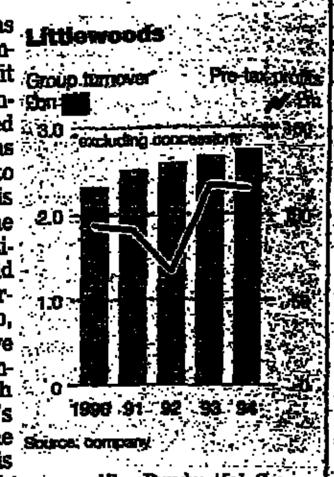
Mr Dale wrote to Kleinwort *Benson, Littlewoods' advisers*, last Friday confirming he had backers for a bid. After making an initial approach in August he was given until last Friday by the Takeover Panel to demonstrate support.

The price is understood to be in the region of £1.2bn, a large premium to the group's net asset value of £870m. That would value Littlewoods' ordinary shares at about 848p and *preference shares at 189p.*

Littlewoods confirmed it had received Mr Dale's letter, saying it did not constitute an offer for the company.

LEX COMMENT

Littlewoods



The Moores family which owns Britain's biggest private company has to decide whether it cares more about cash or control. Mr Barry Dale, who used to run Littlewoods until he was *sacked* in March, now wants to buy the business. Mr Dale is unlikely to be successful. The family is attached to its business and shares cannot be sold to outsiders unless three-quarters agree. Even if they do, they could look at alternative *buyers* – or floating the company – before signing up with Mr Dale. But Mr Dale's approach should still make the family pause for thought. His equity investors – heavyweight names like Prudential Corporation, Electra and Legal & General among them – are looking for venture capital returns of 20 per cent or more. They think the company is badly underperforming, which is confirmed by the sparse published data. The chain store arm's 4.9 per cent operating margin is barely a third of Marks and Spencer's. Meanwhile, margins at the home shopping business are a third less than those of its main competitor, Great Universal Stores. Nor are the other businesses helping *much: the catalogue* operation is losing money and the pools business has been hammered by competition from the National Lottery.

Mr Dale may not be the answer to the company's problems *but* he does have a point. Control by 32 family members is not a recipe for strategic direction or an environment where top-notch managers will be keen to work. The family is free to keep its shares. But if must accept that sentiment has a price.

Industrial and medical sides behind growth at Smiths

By Tim Burt

Shares in Smiths Industries rose 15p to 580p after the aerospace, medical systems and industrial group announced a *17 per cent increase in profits.*

Operating profits in the 12 months to August 5 rose from £114.1m to £140.9m on increased sales of £899.3m (£766.3m), including £23.5m from acquisitions.

Mr Roger Hurn, chairman and chief executive, said the improvement had been fuelled mainly by strong contributions from the medical and industrial divisions, which increased profits to £63m (£47m) and £37.6m (£28m) respectively.

The upturn in medical, which contributed 45 per cent of operating profits, was due partly to maiden full-year contributions from Deltec, the US manufacturer of intravenous *systems acquired for $150m* (£94.9m) in July last year.

"I believe we can look for a continued improvement on the contribution from our medical systems group as a result of both organic growth and early contributions from recent acquisitions."

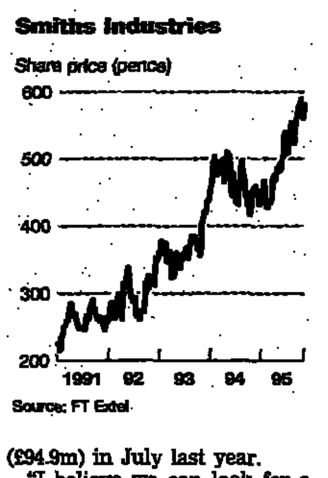
Mr Hurn hinted that Smiths, which spent £52m on acquisitions in the period, was in a position to continue spending at the same rate this year.

The group would also contemplate expanding the aerospace side. *In spite of the likely* downturn in civil aircraft production next year, Mr Hurn predicted output would start to *rise from 1997, which could create acquisition opportunities.*

Some analysts suggested Smiths had expressed an interest in Lucas Industries' engine controls business.

Although aerospace sales fell to £374.2m (£378.8m) profits rose marginally to £40.3m (£39.1m) and margins increased one percentage point to 11 per cent. Margins were steady in the industrial division at 15 per cent and at 23 per cent in medical.

Group profits were also flattered by £3m from property disposals.



Kleinwort sells hedge fund manager

By Norma Cohen, Investments Correspondent

Kleinwort Benson, the UK investment bank, is to sell Fenchurch Capital Management, *its Chicago-based hedge fund* management company, following losses and cash withdrawals which have cut its assets by almost *two-thirds since* the start of 1995.

Kleinwort, which is unusual among UK investment banks in operating a hedge fund, is hoping to complete a deal to sell Fenchurch to its management within the next few days.

The assets of the two funds run by Fenchurch's hedge *funds fell to about* $275m (£174m) at the beginning of October compared with $750m in January. *Most of the losses* occurred in September, with other losses in May and June.

KB said it had only considered selling Fenchurch when it was approached by its management. An agreement was struck and notified to investors on September 9, before the last round of losses had occurred.

KB acquired Fenchurch *when it bought Virginia Trad*ing, a Chicago-based futures broker in 1985. It ran Fenchurch not as part of KBIM, its investment management division, but as part of KB's Treasury operations.

Fenchurch specialises in interest rate arbitrage, which involves speculating on how different maturities in the US bond markets will perform relative to each other.

KB did not provide details of *Fenchurch's returns, but* according to data from Tass, a hedge-fund research firm, it was the second best performer over five years of the funds it measures. Its returns have been fairly stable and only sustained serious losses this year.

Cookson ends disposals with Synpro sale

Cookson Group, the industrial materials concern, has completed a three-year disposal programme with the $92m sale of Synthetic Products, its US plastic additives subsidiary, writes Tim Burt.

The company said the sale to *Ferro, the US industrial group,* represented the last large deal following the disposal of more than 20 businesses, which raised about £225m.

Mr Richard Oster, group chief executive, said proceeds would be reinvested in core activities. It expects a net profit of $20m on the disposal.

The group decided to sell because significant investment was needed if it was to fulfil the Cookson criteria of being the number one or number two international supplier in its sector. In 1994 it made operating profits of $9.3m.

Lord Owen becomes Middlesex chairman

By Motoko Rich

Lord Owen, until recently European Union peace envoy to the former Yugoslavia, is to replace ex-England cricketer Phil Edmonds as executive chairman of Middlesex Holdings, *the metal trading group* which operates in the Commonwealth of Independent States.

This is Lord *Owen's first* executive directorship. He is also a non-executive director at Coats Viyella, the UK's largest textiles group. He will receive a salary of £50,000 a year. Mr Masoud Alikhani, chief executive of Middlesex, said: "Our ability to trade successfully in the CIS has been based on our credibility as a partner and this will be enhanced by David Owen's chairmanship."

Lord Owen said in a statement: "I am greatly looking forward to helping to develop this entrepreneurial business."

Middlesex said it had also formed a new subsidiary in a joint venture with Sir David Alliance, chairman of Coats Viyella and N. Brown, the mail *order operator, to develop its* steel trading interests.

Sir David is injecting $7m (£4.4m) in loan capital into Revenant, *the joint venture* which will export steel products from the CIS. Middlesex will lend the venture $4m.

Middlesex, whose core interests are in aluminium, coal and oil, said it wanted to expand its steel trading base.

Sir David said he would not be taking a managerial position with the new venture. "This is just a financing deal." he said. "My businesses are textiles and mail order."

GKN expands production in India

GKN, the automotive components, defence and industrial distribution group, yesterday announced a big expansion of *its driveshaft plant in India*, writes Tim Burt.

It plans to almost double production at Invel Transmissions, its jointly-owned manufacturer of constant velocity driveshafts.

Capacity at the plant is to be increased from 250,000 units a year to about 500,000 by 1998.

The expansion will be funded by a £3.44m investment by GKN, which will in return receive new shares in Invel – taking its stake from 43 per cent to 51 per cent.

GKN* said it would be well placed to exploit rising demand in India for cars, forecast to reach 800,000 a year by *the turn of the century.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Anglo St James	6 mths to June 30	0.349	(0.212)	0.051L	(0.044)	0.45L	(0.09)	nil	-	nil	nil	nil
Clan Homes Φ	6 mths to Sept 30	0.062	(0.059)	0.024	(0.022)	2.02	(1.82)	-	-	-	-	-
ClubPartners Φ	6 mths to June 30	1.07	(0.343)	0.11♥	(0.381L)	0.42	(4.74L)	-	-	-	-	-
EFG	6 mths to July 30	6.08	(6.49)	2.11	(0.615)	4.4	(1.3)	nil	-	nil	nil	0.5
McInerney Props ♣	6 mths to June 30	15.1	(15.3)	0.345L	(0.465L)	1.1L	(1.2L)	nil	-	nil	-	nil
Pacific Media Φ	6 mths to June 30	1.01	(0.372)	3.31L♠	(0.048L)	0.25L	(0.01L)	-	-	-	-	-
Pentex Oil	6 mths to June 30	11.09	(10.8)	1.74	(1.29)	8.7	(6.74)	-	-	-	-	-
Shiloh	6 mths to Sept 30	13.5	(14.6)	0.313	(0.622)	3.59	(7.14)	1	Dec 1	1	-	3.75
SmithKline Beecham	9 mths to Sept 30	5,073	(4,631)	1,480♥	(929)	34.3	(23.6)	3.2♦	Jan 15	3	-	12.9
Smiths Inds	Yr to Aug 5 ★	899.3	(766.3)	138	(117.6)	31.3	(26.7)	9.35	Jan 5	8.4	14.4	13
UDO	Yr to July 31	52.4	(47)	6.52	(4.91)	15.31	(11.85)	7.08	Dec 8	5.78	9.6	8

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
New Throgmorton	6 mths to Sept 30	152.3	(144.5)	1.02	(0.828)	2.6	(2.12)	1*	Mar 9	1	-	4.75
UK Smaller	6 mths to Sept 30	130.21	(111.88)	0.493	(0.386)	2.35	(1.84)	1	Jan 8	1	-	-

Dividends shown net. Earnings shown basic. Figures in brackets are for corresponding period. ΦAim stock. ♥After exceptional credit. ♠After exceptional debit. ♣Irish currency. ★Comparatives restated. ♦Third interim; makes 9.6p to date. *Second interim; makes 2p to date.

هكذا من الأصل

COMMODITIES AND AGRICULTURE

Analyst forecasts metal price records next year

By Kenneth Gooding, Mining Correspondent

Only a sudden and very substantial global recession would prevent base metal stocks from falling to critical levels and prices jumping to record peaks. Mr Wiktor Bielski, analyst at Bain & Co, part of the Deutsche Bank group, said yesterday. Prices of metals for immediate delivery on the London Metal Exchange would rise by between 25 and 100 per cent next year, he insisted.

He also predicted that at some time before 1998 copper's price would spike to $2 a pound ($4,408 a tonne) compared with its previous record of $1.68 a pound ($3,703 a tonne) and that aluminium would trade at $2.50 a pound ($5,510 a tonne) against the previous peak of $1.95 ($4,298).

Nickel, in that time, would spike to $12 a pound ($26,448) against $10.84 ($23,891); lead would touch 45 cents a pound ($992) against $42 cents ($926). And zinc would come very close to the previous record to reach 95 cents a pound ($2,094) against 97 cents ($2,138).

At a "Metals Week" meeting organised by Deutsche Morgan Grenfell and Deutsche Sharps Pixley Metals, Mr Bielski, probably the most bullish of the metals analysts, argued that two factors in particular had transformed the outlook for metals for the next 30 years. The Asian region was now the leading metals consumer, accounting for 40 per cent of the total, compared with 25 per cent in 1980. This growth had been fuelled by explosive infrastructure development that was "hugely metals intensive."

At the same time, in the US the intensity of metals consumption, particularly of copper and aluminium, had increased significantly.

These structural changes should result in demand for copper, aluminium and nickel growing at an annual 4 to 5 per cent in the present economic cycle – that would last until 1998.

Metal Stocks (weeks' consumption)

	'Critical' levels	Forecast levels
Copper	3.5	2.7
Aluminium	6.5	5.9
Lead	5.0	4.1
Zinc	5.5	6.5
Nickel	8.5	5.2
Tin	6.0	6.4

Source: Bain & Co.

Mr Bielski forecast the following average annual prices for the LME metals: copper $1.55 a pound ($3,416 a tonne) in 1996 against $1.36 this year; aluminium $1.10 ($2,424) against 85 cents; nickel $5.75 ($12,673) against $3.85; zinc 58 cents ($1,278) against 47.5 cents; and lead 38 cents ($837.50) against 28.5 cents.

Meanwhile, a special report from Brandeis (Brokers), part of the Pechiney Group, is also upbeat about the prospects for metals demand. It also suggests stocks of copper, aluminium, nickel, zinc, lead and tin, particularly those held in LME warehouses, are likely to fall. However, although this would give support to prices, it "does not necessarily mean higher prices", according to Brandeis analysts Ms Helene Nouvelle and Mr Robin Bhar.

Nevertheless, in their "Base Metals Outlook 1996", they agree with Mr Bielski about nickel and suggest that the price is likely to rise steeply next year. They forecast an average of $4.65 a pound ($10,250 a tonne) compared with $3.83 ($8,450) this year, "with the possibility of peaks towards the $5 a pound ($11,000) level in the first half of 1996."

Zinc, lead and tin prices are also likely to be higher on average in 1996 compared with this year, the Brandeis report suggests. The analysts see zinc at 49.9 cents a pound ($1,100) in 1996 against 47.3 cents ($1,043); lead at 31.1 cents ($685) against 28.6 cents ($630) – and warn that "price levels above 34 cents ($750) are unlikely to be sustained for too long" – and tin at $3.18 ($7,000) against $2.81 ($6,195).

The Brandeis report suggests that average 1996 copper and aluminium prices are likely to be below those for this year, at $1.089 a pound ($2,400 a tonne) for copper against $1.307 ($2,882) and 82.6 cents ($1,820) for aluminium against 84.4 cents ($1,860).

Coffee producers call for inquiry into price slide

By Deborah Hargreaves

Coffee producers yesterday called for an investigation into possible market manipulation following two sharp dives in New York prices. The drops in prices occurred last Tuesday and again this week after the release of news that should have been bullish for the market.

After the release of stock figures by New York's Coffee Sugar and Cocoa Exchange on Monday night showing that levels were 25 per cent lower than market expectations, prices for the key futures contract tumbled on Tuesday by six cents a pound. The market had recovered most of its losses, however, by the close of the day's trading.

Similarly, last Tuesday (Oct 17) the US futures price fell from 126 cents to 119 cents a pound after green coffee stock levels were announced to be lower than traders expected.

Mr Ruben Pineda, executive director of El Salvador's coffee council was canvassing support from Brazil and Colombia yesterday to push for the CSCE to launch an inquiry into the market moves.

Market players were, however, sceptical of the producers' claims. "The two moves were a little bit strange, but not that out of the ordinary to call it manipulation," said Mr Lawrence Eagles, commodities analyst at GNI in Brazil.

Mr Eagles said that on both occasions, the market had met technical resistance levels, which would have prompted some traders to sell. He said the price moves were surprising in the face of the bullish news, but not particularly excessive in view of the scale of recent movements.

One New York trader said: "There's always some group that wants a market investigation after a sharp price move". He said the reason for the fall in the market was the fear of a strike by Brazilian dock workers, which was prompting sellers to ship their coffee early.

The London market drifted downwards yesterday as the January futures contract fell by $16 to $2,335 a tonne in light volume.

MARKET REPORT

Nickel prices at 4-week highs

NICKEL prices rose to four-week highs on the London Metal Exchange yesterday as tightness around the January delivery date intensified.

The sharp rise in prices prompted by fund and chart-based buying in the last few days forced merchants to cover, helping the three-month delivery price to a high of $8,690 a tonne. Profit-taking emerged and the metal finished the after hours "kerb" trading session at $8,640, up $185 on balance.

"Nickel had a good day with a backwardation [nearby premium] developing on the January date,> said Martin Squires of Rudolf Wolff.

Trade in base metals was generally quiet as traders shook off the effects of Tuesday's annual LME gathering.

COPPER finished flat for the third consecutive day at $2,709 a tonne for three months delivery. Cash was last indicated at about $96 over three months, from $115 on Tuesday.

Compiled from Reuters

Wool agency given go-ahead for forward sales

Australia's Wool International has from next year been given the go-ahead to run a two-year programme for the forward marketing of wool, primary industries minister Mr Bob Collins said yesterday, reports Reuters from Canberra.

"The recent volatility in the market demonstrates the need to use such instruments to better manage risk," he said when announcing the move in the Senate.

Wool International was set up to eliminate Australia's stockpile of unsold wool that reached 4.7m bales in 1991. It has to sell a fixed quota of 182,000 bales a quarter and still has 2.84m bales, which it is continuing to try to sell through private treaty. It recently withdrew from some auctions.

Mr Collins said legislation would shortly be introduced in parliament to effect the change to permit futures trading to "stimulate a broader range of risk management option". The limit of two years would allow the development and evaluation of the forward marketing.

Mr Collins made it clear the operation did not involve the privatisation of Wool International, which he said was a matter for growers to decide on.

"The programme will be conducted through Wool International subsidiary, Wool International Holdings," he said. "It will be conducted separately from the ongoing activities of Wool International, whose prime responsibility is to manage the stockpile disposal and to manage the industry's debt."

The programme would be conducted on strictly commercial terms, with Wool International Holdings only having access to the stockpile on the same commercial basis as any other industry participant. "Current circumstances in the wool market highlight the need for better risk management tools in the industry," Mr Collins added.

The Wool Council of Australia has come to the defence of Wool International and its fixed selling quota, which has been under attack from growers as wool prices slumped to a two-year low.

Council President Charles Armstrong said in Melbourne yesterday that WI had been given a difficult task and had been "transmogrified into a rogue – at least that is the perception of some".

Some industry groups have blamed recent sharp price falls on Wool International's policy of discounting wool at auction and in private treaty sales to ensure it meets its sales quota.

Mr Armstrong said growers were initially in full support of a fixed selling schedule to get rid of the stockpile. "We cannot now back away from that," he said, "just because we've reached a weak demand situation and the first real test of the resolve that the industry had 18 months ago."

Falling demand from China, Japan and Western Europe had been the main reason for market's weakness, he said. This caused the key eastern market indicator to plunge to A$5.84 a kilogram (clean) last week from a five-year high of A$8.43 in March.

"Continuing to trade wool predominately on a spot market is proving extremely difficult if not impossible for all parties growing, selling, trading and processing wool," Mr Armstrong said. "Woolgrowers have to become more adept at knowing their cost of production, describing their wool and demanding access to forward delivery contracts to minimise prices risk."

Growers will show their opinion of the government plan when WI's disposal role ends on June 30, 1997 and they have to decide whether to privatise it or wind it up and take out their equity.

● Australian wool prices rallied further at auctions in Sydney and Melbourne yesterday, boosting the eastern market indicator by 13 cents to A$6.05 a kilogram, WI said.

All category indicators rose with gains ranging from 0.5 per cent for 28/29 micron crossbred fleece to 3 per cent for 23/24m merino fleece. Japan led the competition with good support from most trade sectors including China, WI said.

Sales continue today in Sydney, Melbourne and Fremantle with about 38,000 bales on offer.

Australia's Hamersley Iron agrees Japanese export deal

By Bruce Jacques in Sydney

Hamersley Iron, the Australian mining company, has reached agreements with Japanese steel mills that will lift its guaranteed minimum annual iron ore exports into that market from 15.75m to 16.4m tonnes.

The company, a wholly-owned subsidiary of CRA, announced yesterday that it had renewed two long term contracts covering supply of 28.5m tonnes of ore between April 1996 and March 1999.

Earlier this year it renewed contracts to deliver of 11m tonnes a year for the next seven years. Hamersley's managing director for sales and marketing, Mr Sam Walsh, said yesterday the company had now secured sales contracts with Japan worth A$2.8bn over the next seven years.

"This increase is recognition by the Japanese steel mills of Hamersley's achievements in improving product quality and reliability of supply," he said.

"We have not missed a single shipment for over two years. We have also made strenuous efforts to improve our product quality by investing over A$100m in a new processing plant."

Comalco to upgrade bauxite unit

Comalco, the Australian metals group, said yesterday it planned a A$70m (US$52m) upgrade of its Weipa bauxite (aluminium ore) operations in the far north of Queensland over the next 18 months to drive down costs by 12.5 per cent, reports Reuters from Weipa.

Mr Allan Jackson, general manager of Weipa bauxite operations, said about half the funds would be spent on upgrading the bauxite beneficiation plant. The balance would go to buying new haulage trucks, upgrading the power station and possibly extending the railway at Weipa, the world's largest bauxite mine.

The upgrade, already approved in principle by the board of Comalco, which is 67 per cent owned by CRA, would start in the next few months, Mr Jackson said. It would be the largest capital spending programme for about 25 years at Weipa, which produces about 9m tonnes of ore a year, 8 per cent of the world total.

Mr Jackson said operating costs at Weipa were about A$8 a tonne and the company aimed eventually to cut this to A$5 a tonne to make it one of the lowest cost bauxite operations in the world. "This programme will cut us to about A$7 a tonne," he said.

Comalco sells for about US$20 a tonne, mainly to its 30.3 per cent owned Gladstone refinery in Queensland.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1642-3	1679-80
Previous	1641.5-42.5	1679-80
High/low	1649/1638	1686/1675
AM Official	1639-40	1676.5-7.0
Kerb close		1685-7
Open int.	220,335	
Total daily turnover	27,260	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1395-405	1435-40
Previous	1400-05	1435-40
High/low		1435/1430
AM Official	1385-90	1425-30
Kerb close		1430-40
Open int.	3,092	
Total daily turnover	1,112	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	697.5-9.5	679-80
Previous	689.5-91.5	673-74
High/low		679/667
AM Official	686-7	668-9
Kerb close		678-80
Open int.	33,318	
Total daily turnover	7,678	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	8585-95	8680-85
Previous	8280-90	8395-8400
High/low	8470/8465	8695/8470
AM Official	8467-70	8582-5
Kerb close		8630-40
Open int.	44,573	
Total daily turnover	19,765	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6175-85	6240-50
Previous	6175-85	6240-50
High/low		6260/6220
AM Official	6160-70	6220-25
Kerb close		6255-65
Open int.	18,913	
Total daily turnover	3,653	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	966-7	990-1
Previous	966-67	990-91
High/low	963	993/987
AM Official	963-3.5	987-8
Kerb close		993-4
Open int.	79,675	
Total daily turnover	16,367	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2786-91	2698-9
Previous	2805-10	2707-08
High/low	2790/2775	2714/2690
AM Official	2785-8	2690-2
Kerb close		2709-10
Open int.	186,874	
Total daily turnover	48,554	

■ LME AM Official £/$ rate: 1.5790
LME Closing £/$ rate: 1.5793

Spot: 1.5780 3 mths: 1.5790 6 mths: 1.5717 9 mths: 1.5682

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open Int
Oct	128.05	–0.15	129.00	127.50	208	507
Nov	126.40	+0.50	126.50	125.60	93	1,568
Dec	124.40	+0.45	125.00	123.35	4,465	22,958
Jan	123.20	+0.25	123.90	123.00	112	686
Feb	121.75	+0.40	–	–	1	445
Mar	121.00	+0.20	121.60	120.50	439	5,985
Total					6,332	191,143

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	382.80-383.20		
Opening	382.70-383.00		
Morning fix	382.40	241.826	434.100
Afternoon fix	382.65	242.138	434.269
Day's High	385.25-383.50		
Day's Low	382.40-382.80		
Previous close	382.20-382.60		

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open Int
Oct	383.1	+0.5	383.7	382.9	261	92
Dec	384.5	+0.3	385.2	384.1	5,639	107,200

ENERGY

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	120.65	–0.50	120.50	120.25	84	909
Jan	123.15	–0.40	123.15	122.85	168	2,231

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	920	–1	921	914	1,301	21,132
Mar	951	–	951	945	1,179	32,075

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	67.775	+0.250	67.850	67.050	4,396	30,830
Feb	67.075	+0.300	67.150	66.400	1,038	15,505

LONDON TRADED OPTIONS

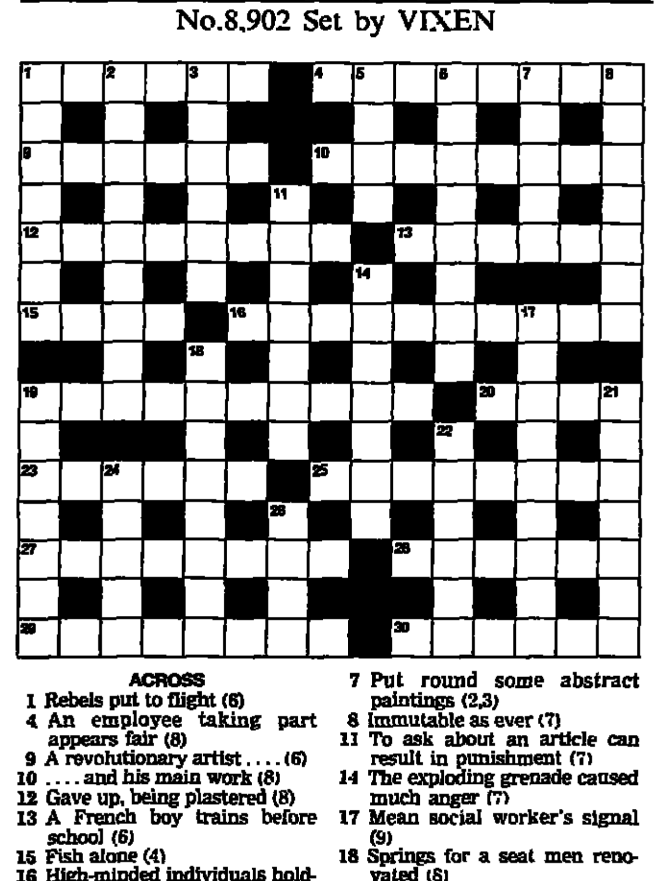
LONDON SPOT MARKETS

INDICES

JOTTER PAD

CROSSWORD

No.8,902 Set by VIXEN



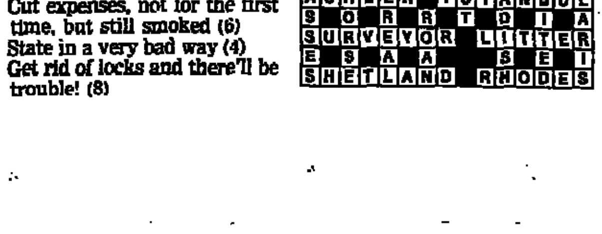
ACROSS

1 Rebels put to flight (6)
4 An employee taking part appears fair (8)
9 A revolutionary artist .... (6)
10 .... and his main work (8)
12 Gave up, being plastered (8)
13 A French boy trains before school (6)
15 Fish alone (4)
16 High-minded individuals holding with damaging stoppage (10)
19 Formal disclosure of real income (10)
20 Some nincompoop usually does this work (4)
23 Brooding old Chinese going round America (6)
25 Every body of soldiers is not given a choice (8)
27 Raising rice, note yield (8)
28 A trying put-off (6)
29 Yet traps may be reset – that's material (8)
30 The guy about to right a loud-mouthed bully (6)

DOWN

1 The heartless rogue goes for profit (7)
2 A foreigner admitting money could make him a killer (9)
3 Cut expenses, not for the first time, but still smoked (6)
5 State in a very bad way (4)
6 Get rid of locks and there'll be trouble! (8)
7 Put round some abstract paintings (2,3)
8 Immutable as ever (7)
11 To ask about an article can result in punishment (7)
14 The exploding grenade caused much anger (7)
17 Mean social worker's signal (9)
18 Springs for a seat men renovated (8)
19 Point out many people will be in bed (7)
21 Bearing with a person making advances is all very fine! (7)
22 English fellow to honour, though degenerate (6)
24 Clean up on the lottery? (5)
26 Sweet converse (4)

Solution 8,901



INTERNATIONAL CAPITAL MARKETS

Treasuries up ahead of five-year auction

By Lisa Bransten in New York and Richard Lapper in London

US Treasury prices continued their ascent early yesterday, sending the yield on the benchmark 30-year Treasury bond below 6.3 per cent as traders awaited results from an afternoon auction of five-year notes.

Near midday, the long-bond was 7/32 higher at 107⅞ to yield 6.299 per cent. At the short end of the maturity spectrum, the two-year note was up ⅛ at 100, yielding 5.608 per cent.

Bonds jumped late on Tuesday afternoon after stronger than expected demand was shown at the Treasury's afternoon auction of $17.75bn in two-year notes. Yesterday the Treasury was to sell $11.5bn in five-year notes.

Analysts said there was some room for bonds to move higher if the five-year auction were to go as well as the two-year sale.

Expectations were for the bonds to be sold at an average yield of 5.79 to 5.80 per cent, slightly below the 5.807 per cent yield on existing five-year notes.

In morning trading, bonds fell back from earlier highs after the National Association of Realtors reported that sales

GOVERNMENT BONDS

of existing homes rose 0.7 per cent in September, where most economists had forecast a modest decline in sales.

The dollar was stronger against the D-Mark and the yen in morning trading, rising to DM1.3940 and Y101.31 from DM1.3935 and Y100.55 respectively late on Tuesday.

■ European bond markets advanced across the board yesterday, with investors shrugging off concerns about political uncertainty.

Further indications that German inflation is firmly under control buoyed German bunds, while dollar strength helped the high yielding markets.

Meanwhile, the positive outcome to the Bank of England's latest auction boosted gilts, with the UK market outperforming other European centres.

The yield spread of gilts over bunds narrowing by nine basis points to 174 basis points.

■ Cost of living figures in two west German states – Hesse and North Rhine-Westphalia – were unchanged for the month of October, while those in a third state – Bavaria – rose by a modest 0.1 per cent.

September import prices rose by a lower than expected 0.1 per cent, leaving the year-on-year advance unchanged at 0.5 per cent.

The figures helped sustain hopes of further interest rate cuts – despite the decision yesterday of the Bundesbank to leave the discount rate unchanged at 4.03 per cent.

"*In the coming days a* steeper German curve is expected to unfold," said economists at Bear Stearns in London. "If the D-Mark appreciates as we expect, it will strengthen hopes that this may force an early *lowering of* German interest rates," they added.

In any event, the figures lent a positive tone to the market. On Liffe the 10-year December bund future gained nearly half a point to close at 96.39.

■ Political concerns have this week centred on Italy, where the prime minister, Mr Lamberto Dini, faces a vote of confidence today.

Yesterday, however, dollar strength bolstered the lira and *the bond markets gained* ground, with the yield spread of Italian 10-year bonds over bunds narrowing by four basis points to 581 basis points.

But analysts suggest that the rally may prove to be limited. "I think people who are long Italy against bunds will square out their positions," said Mr Ifty Islam, fixed income strategist at Merrill Lynch.

■ The Spanish market was able to advance despite bad news on the political front following the rejection yesterday by the parliament of the government's 1996 budget. Again, however, the consensus is that any recovery could prove to be short-lived.

Bear Stearns, for example, expects Spanish government bond yields to remain under upward pressure, with the yield spread of Spanish bonds over bunds widening to 450 basis points from its closing *level of 446 basis points.*

Gilts back in favour with £3bn issue covered twice

By James Harding and Graham Bowley

The Bank of England's auction of UK government bonds was almost twice subscribed yesterday, the highest level of investor interest in long-dated gilts for almost four years. The success was in sharp contrast *to last month's auction*, when for the first time the Bank of England failed to sell all the bonds it was offering for sale.

At the latest auction, domestic and overseas investors were reassured by signs of slowing UK economic growth and by the high yields currently offered by gilts. Investors placed bids worth £5.99bn for the £3bn of 20-year gilts issued. Institutional investors such as pension funds and *insurance companies* were large buyers, since long-dated bonds are particularly useful for matching their long-term liabilities.

The auction was covered 1.99 times, against an expected cover of around 1.5 times. The yield tail – the difference between the yield at the average price and the yield at the lowest price – was zero, showing that the Bank of England did not have to drop the price in order *to sell all the gilts.*

See Lex

Just one month after the Bank of England's failure to find enough buyers at its monthly auction of UK government bonds, gilts yesterday were back in favour.

The September gilts auction was uncovered for the first time in its history, but yesterday's £3bn issue of 20-year gilts with an 8 per cent coupon was almost twice *covered, the highest* level of investor interest since November 1991.

Last month, investors stayed away, concerned by the high level of UK government borrowing and worried by the prospects for European monetary union, which had upset currency and bond markets all across Europe.

While those anxieties linger, investors at yesterday's auction were attracted by a few exceptionally positive features: the high yields currently offered by gilts, recent signs of a slowdown in the UK economy and the appeal of rarely-offered long-dated paper.

The day of the uncovered auction, gilts shed 1 point and since then have remained subdued. While German and US bonds have rallied over the past month, gilts have lagged, with the 10-year yield spread over German bunds widening to close to 190 basis points earlier this week.

After yesterday's auction, gilts rallied by more than 1 point and the yield spread over bunds narrowed to 174 points.

The strength of investor demand startled City analysts, who had held their breath ahead of the auction fearing another failure, which would have sent prices plummeting.

"There was a sizeable feeling *of relief*," said Mr Ian Shepherdson of HSBC Markets, a leading UK gilt-edged marketmaker. "It has shown that the *appetite for UK government* paper is still there."

A Bank of England official said the result "demonstrates the auction process is working well and keeps the government's funding on track".

Analysts pointed to three reasons for the success.

First, gilts had fallen significantly since the last auction. *Mr Peter Moore of AMP Asset* Management said: "The market was looking very attractive, with a sizeable spread over German *bunds* and the lowest gilt prices since the Tory leadership crisis."

Second, the auction came against a background of slower economic growth. Gross domestic product figures released this week and a Confederation of British Industry survey of manufacturers both gave a downbeat view.

Third, the 20-year stock on offer appealed strongly to institutional investors, which can use it to match their long-term liabilities.

The government can always bank on a high level of interest in long bonds, said Citibank's Mr Neil Mackinnon: "There is a natural demand at the long end of the yield curve."

If that was not enough, after September's poor auction, this month the Bank undertook a concerted marketing campaign *to ensure that all the gilts* would be sold.

Regardless of the good reasons to buy UK gilts yesterday, the worries about higher public borrowing have not gone away. Mr Andrew Roberts of UBS said the government still had around £20bn to raise in its funding from a total requirement for the year of £35.2bn and Mr Sanjay Joshi of Daiwa in London said concern surrounding excessive government debt may continue to dog *the market in the run-up to* forthcoming auctions.

"Three or four years ago, we used to trade lower in the run-up to the T-bill auctions and then higher through the auction. Trading in the UK is now likely to follow a similar pattern," says Mr Joshi.

In the more immediate future, some analysts expect *bonds to hold the gains.*

However, dealers reported that a large proportion of the gilts sold yesterday were taken up by only a few market players – in particular, large US and German houses which bought for their own proprietary trading.

"A lot of the stock found its way into relatively few hands," said Mr Thomas O'Shea, economist at Yamaichi.

This, they suggested, could weigh on market *sentiment as these houses begin to offload* some of these holdings.

D-Mark jumbo for EIB well received in Asia

By Conner Middelmann

A quiet day in the eurobond market saw the successful completion of widely touted jumbo deals for the European Investment Bank and Ford Motor Credit.

The EIB's DM2bn offering of seven-year bonds, priced to yield six basis points over

INTERNATIONAL BONDS

bunds, met with strong demand in Asia, where some 40 per cent of the deal was placed, and Germany, which absorbed some 20 per cent of the deal, said joint leads CS First Boston and Deutsche Morgan Grenfell.

*After extensive pre-market*ing, the offering was slightly oversubscribed and the leads reported no significant flow-back from *other* members in the group.

"I hope this will have been the last D-Mark jumbo this year – it's been very busy the last few months," said a Frankfurt dealer.

However, while all the big supranational issuers are unlikely to tap the D-Mark sector before year-end, dealers said other borrowers were checking the market for funding opportunities. They include *the Hellenic Republic, which is* rumoured to be planning a five-year floating-rate issue, the Council of Europe, with fixed-rate bonds in the same maturity, and Colombia.

Meanwhile, Ford's $1bn issue of five-year global bonds, priced to yield 53 basis points over Treasuries, met with good demand from a broad variety of investors, according to lead manager Goldman Sachs. Some 45 per cent was placed outside the US, said a syndicate official, split roughly between Europe and Asia.

With heavy redemptions of Japanese domestic debt continuing, two issuers tapped Japanese retail demand for higher-yielding debt in which to reinvest their funds.

The Province of Ontario issued A$600m of 5 per cent three-year bonds via Yamaichi. The bonds will yield around 7 per cent; some 600 basis points over three-year Japanese time deposits or retail bank debentures, according to the lead.

The South Australian *Government Financing Authority* targeted the same retail clientele with its A$150m of two-year 5 per cent bonds via Kankaku and Commonwealth Bank of Australia.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
D-MARKS							
European Investment Bank	2bn	6.125	99.40R	Nov.2002	0.30R	+6(7¼%-02)	CSFB/ Deutsche Bank
YEN							
Kingdom of Sweden(a)★	35bn	3.20	100.40	Nov.2010	0.40	-	Nomura International
SWISS FRANCS							
Ascii Corp.(b)★§	60	0.375	100.00	Mar.2000	1.625	-	Daiwa Secs.Bank(Switz.)
GUILDERS							
Royal Hoogovens	250	7.00	99.60R	Nov.2002	0.325R	+90(i)	ABN Amro Hoare Govett
AUSTRALIAN DOLLARS							
Province of Ontario★	600	5.00#	94.254	Nov.1998	1.20	-	Yamaichi Intl.(Europe)
Sth.Australian Govt.Financing★	150	5.00	96.90	Nov.1997	1.15	-	Kankaku (Singapore)
IRISH POUNDS							
Le Sires, Series 7(c)★‡	50	(c1,s)	100.00R	Sep.1998	0.14R	-	Merrill Lynch International

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. §Convertible. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Short 1st & last coupons. b) Fixing: 1/11/95. Callable from 31/3/96 subject to 150% rule. Callable and puttable on 31/3/98 at 102¼%. Refixing clause effective 18/11/96 & 17/11/97. c) Collateralised by Italian Ecu CTEs. Callable on each coupon date at par. c1) 3-mth Dibor +15bp. i) Over interpolated yield. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		7.500	07/05	92.4000	-0.800	8.67	8.35	8.55
Austria		6.875	06/05	99.5200	+0.270	6.94	6.97	6.81
Belgium		6.500	03/05	96.4500	+0.400	7.02	7.05	6.93
Canada *		8.750	12/05	106.0500	+0.650	7.87	7.61	7.98
Denmark		7.000	12/04	94.6000	+0.460	7.85	7.85	7.67
France	BTAN	7.750	04/00	103.7500	+0.375	6.84	6.66	6.53
	OAT	7.750	10/05	102.1400	+0.640	7.44	7.51	7.27
Germany Bund		6.500	10/05	100.2600	+0.310	6.46	6.52	6.50
Ireland		8.250	10/04	98.3500	+0.700	8.13	8.21	7.98
Italy		10.500	04/05	92.1400	+0.630	11.91†	11.50	10.90
Japan	No 129	6.400	03/00	119.7730	-0.010	1.58	1.53	1.70
	No 174	4.600	09/04	112.2480	-0.320	2.87	2.80	2.83
Netherlands		7.000	06/05	103.2000	+0.370	6.53	6.57	6.51
Portugal		11.875	02/05	103.3500	+0.290	11.25	11.22	10.95
Spain		10.000	02/05	94.3600	+0.140	10.91	10.82	10.58
Sweden		6.000	02/05	80.7030	+0.373	9.17	9.22	9.20
UK Gilts		8.000	12/00	102-04	+22/32	7.49	7.55	7.32
		8.500	12/05	103-03	+38/32	8.04	8.10	7.82
		9.000	10/08	106-21	+41/32	8.16	8.21	7.90
US Treasury *		6.500	08/05	103-24	+14/32	5.99	5.97	6.12
		6.875	08/25	107-14	+22/32	6.32	6.31	6.47
ECU (French Govt)		7.500	04/05	98.7700	+0.500	7.68	7.74	7.50

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	5.39	Two year	5.64
Prime rate	8¾	Two month	5.50	Three year	5.70
Broker loan rate	7½	Three month	5.39	Five year	5.82
Fed.funds	5⅞	Six month	5.57	10-year	5.99
Fed.funds at intervention	-	One year	5.59	30-year	6.31

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	115.48	115.92	+0.74	115.94	115.38	142,693	109,954
Mar	115.04	115.46	+0.70	115.42	115.00	616	5,609
Jun	115.06	115.52	+0.74	115.52	115.06	541	1,874

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Nov	CALLS Dec	CALLS Mar	PUTS Nov	PUTS Dec	PUTS Mar
114	-	-	-	-	0.24	0.95
115	0.95	1.38	1.74	0.03	0.46	1.31
116	0.12	0.77	1.21	0.20	0.84	-
117	0.01	0.34	0.80	-	1.41	-
118	-	0.12	-	-	-	-

Est. vol. total, Calls 26,021 Puts 24,577. Previous day's open int., Calls 149,050 Puts 165,988.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.18	96.39	+0.40	96.46	96.10	126809	196268
Mar	95.58	95.80	+0.40	95.79	95.52	782	5202

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Dec	PUTS Jan	PUTS Feb	PUTS Mar
9600	0.76	0.66	0.86	1.02	0.37	0.86	1.06	1.22
9650	0.48	0.45	0.65	0.79	0.59	1.15	1.35	1.49
9700	0.28	0.30	0.48	0.60	0.89	1.50	1.68	1.80

Est. vol. total, Calls 12096 Puts 11539. Previous day's open int., Calls 163654 Puts 139208

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	99.70	99.97	+0.68	100.00	99.24	43048	49537
Mar	99.30	99.64	+0.65	99.37	99.30	150	550

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Dec	CALLS Mar	PUTS Dec	PUTS Mar
9950	1.51	2.56	1.04	2.42
10000	1.23	2.32	1.26	2.68
10050	0.98	2.10	1.51	2.96

Est. vol total, Calls 6552 Puts 2603. Previous day's open int., Calls 46008 Puts 45889

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	88.45	88.62	+0.41	88.73	88.31	43,368	30,179
Mar	-	88.45	-	-	-	175	168

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	105-00	106-01	+1-08	106-06	104-30	108345	102934
Mar	104-14	105-15	+1-08	105-12	104-14	112	360

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Dec	PUTS Jan	PUTS Feb	PUTS Mar
106	0-58	1-00	1-24	1-40	0-56	1-34	1-58	2-10
107	0-30	0-39	0-63	1-14	1-28	2-09	2-33	2-48
108	0-13	0-23	0-43	0-58	2-11	2-57	3-13	3-28

Est. vol. total, Calls 7706 Puts 1591. Previous day's open int., Calls 29518 Puts 28472

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	87.06	87.05	+0.40	87.06	86.80	2,431	9,405

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	117-08	117-10	+0-02	117-21	117-07	324,595	388,153
Mar	116-30	116-31	+0-02	117-09	116-29	7,349	29,164
Jun	116-17	116-17	+0-02	116-17	116-16	268	4,553

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	120.39			120.82	120.38	3182	0
Mar	119.27			119.61	119.27	414	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Oct 25	Day's change %	Tue Oct 24	Accrued interest	xd adj. ytd		Low coupon yield Oct 25	Oct 24	Yr. ago	Medium coupon yield Oct 25	Oct 24	Yr. ago	High coupon yield Oct 25	Oct 24	Yr. ago
1 Up to 5 years (22)	120.99	+0.39	120.52	1.21	9.72	5 yrs	7.55	7.73	8.85	7.56	7.74	8.88	7.65	7.83	9.05
2 5-15 years (21)	145.10	+1.09	143.53	1.89	10.32	15 yrs	8.16	8.34	8.75	8.20	8.37	8.90	8.30	8.44	9.12
3 Over 15 years (9)	160.78	+1.62	158.22	2.79	10.45	20 yrs	8.21	8.38	8.69	8.25	8.41	8.90	8.33	8.46	9.00
4 Irredeemables (6)	178.93	+0.87	182.00	-0.22	13.47	Irred.†	8.35	8.43	8.75						
5 All stocks (58)	140.66	+0.96	139.34	1.81	10.23										

Index-linked							Inflation 5% Oct 25	Oct 24	Yr. ago	Inflation 10% Oct 25	Oct 24	Yr. ago
6 Up to 5 years (1)	192.98	+0.12	192.74	-0.02	8.37	Up to 5 yrs	3.26	3.31	4.01	2.11	2.15	2.82
7 Over 5 years (11)	185.05	+0.62	183.92	0.76	4.45	Over 5 yrs	3.70	3.74	3.92	3.48	3.54	3.72
8 All stocks (12)	185.10	+0.60	183.99	0.74	4.54							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Oct 25	Oct 24	Oct 23	Oct 20	Oct 19	Yr ago	High*	Low*
Govt. Secs. (UK)	93.19	92.57	92.67	92.75	92.91	90.08	95.51	90.22
Fixed interest	110.86	110.84	110.88	111.35	111.20	107.08	114.66	108.77

* for 1995. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Oct 24	Oct 23	Oct 20	Oct 19	Oct 18
Gilt Edged bargains	89.9	101.8	78.3	83.1	88.8
5-day average	88.4	89.7	87.0	86.8	88.4

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on October 25

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 5 97	1000	98⅞	99⅛	+⅛	5.93
Abbey Natl Treasury 6½ 03	1000	99¾	100	+⅜	6.53
ABN Ambro Bank 7¼ 05	1000	104⅛	104⅜	+⅜	6.77
African Dev Bk 7⅜ 23	500	102⅝	103⅛	+½	7.15
[illegible]					
Sweden 8 97	2500	105⅞	106½		4.63
United Kingdom 7⅛ 97	5500	104⅞	105		4.53
Volkswagen Intl Fin 7 03	1000	101⅜	101⅝		6.75
World Bank 0 15	2000	26⅛	26⅝	+¼	6.89
World Bank 5¾ 03	3000	96⅛	96⅜	+¼	6.49
[illegible]					
Abbey Natl Treasury 8 03 £	1000	97⅜	97¾	+⅝	8.48
Alliance Leics 11⅜ 97 £	100	105⅞	106⅛	+⅛	7.22
British Land 8⅞ 23 £	150	91⅛	91½	+1⅜	10.05
Denmark 6¾ 98 £	800	98¼	98½	+¼	7.44
[illegible]					

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. [illegible]
CONVERTIBLE BONDS: [illegible]

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or –	1995 High	1995 Low
Shorts* (Lives up to Five Years)						
Treas 14pc 1996	13.77	6.54	101½	—	106⅞	101½
15¼pc 1996‡‡	14.58	6.50	104½xd	—	109⅝	104½
Exch 13¼pc 1996‡‡	12.78	6.60	103⅝xd	—	107¼	103⅝
Conversion 10pc 1996	9.68	6.51	103⅜xd		104⅝	103⅜
Treas 13¼pc 1997‡‡	12.30	6.61	107⅝		109⅝	107⅝
Exch 10½pc 1997	10.03	6.68	104⅝		105⅝	104⅜
[illegible]						

Notes	Yield Int	Yield Red	Price £	+ or –	1995 High	1995 Low
Treas 12½pc 2003-5	9.91	8.04	126¼xd		128	119
Treas 8½pc 2005‡‡	8.24	8.03	103⅛		105	97⅞
7½pc 2006‡‡	7.80	8.04	96		96	94
7¾pc 2006‡‡	7.96	8.09	97½		99	92⅛
8pc 2002-6‡‡	8.02	8.06	99¾		101	93¼
Treas 11¾pc 2003-7	9.77	7.99	120		123	113
[illegible]						

Index-Linked	Notes	Yield (1)	Yield (2)	Price £	+ or –	1995 High	1995 Low
2pc '96	(67.9)	0.28	3.23	213		213	201
4⅝pc '98‡‡	(135.6)	2.11	3.26	111xd		112	106
2½pc '01	(78.3)	3.12	3.62	175⅞		177	165
2½pc '03	(78.8)	3.26	3.65	171xd		173	161
4⅜pc '04‡‡	(135.6)	3.27	3.63	114		115	108
2pc '06	(69.5)	3.34	3.62	180½		183	168
[illegible]							

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for February 1995: 146.9 and for September 1995: 150.6.

Other Fixed Interest

Notes	Yield Int	Yield Red	Price £	+ or –	1995 High	1995 Low
[illegible]						

■ "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock.

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CURRENCIES AND MONEY

MARKETS REPORT

Dollar firm as Tietmeyer keeps market guessing

By Philip Gawith

A number of developments yesterday combined to give the dollar a slightly firmer tone, but this picture was later muddied slightly by comments from Mr Hans Tietmeyer, president of the Bundesbank.

The dollar closed in London at DM1.3936, from DM1.387, helped by D-Mark sales in Europe, Japanese banks buying dollars and greater optimism about the US budget negotiations. Against the yen it finished at Y101.3, from Y100.175.

Later the dollar fell slightly after Mr Tietmeyer provided a rather staple, unenthusiastic account of when foreign exchange intervention might succeed. The impact was somewhat ironic given that his comments the previous evening, on the same subject, had provided the dollar with support.

In Europe the lira had a better day ahead of the outcome today of the no-confidence vote in the government of Mr Lamberto Dini. It closed at L1,159 against the D-Mark, from L1,165, helped by comments from the right wing leader Mr Gianfranco Fini that the 1996 budget would pass even if Mr Dini was defeated.

Most observers are fairly bearish about the outlook for the lira, predicting that it will fall to L1,200 and beyond if Mr Dini falls.

The Swedish krona rose to a year high against the D-Mark, helped by support from the central bank. It finished at SKr4.739, from SKr4.790. Mr Urban Backstrom, the country's central bank governor, said in Stockholm that: "The crown is still undervalued and it is therefore the wrong time for Sweden to join the ERM."

■ Pound in New York

Oct 25	Latest	Prev. close
£ spot	1.5785	1.5790
1 mth	1.5774	1.5779
3 mth	1.5753	1.5758
1 yr	1.5641	1.5645

The Spanish peseta shrugged off the parliamentary defeat of the budget, finishing slightly firmer against the D-Mark at Pta86.96, from Pta87.01. Ahead of the vote, Mr Pedro Solbes, the economy minister, said that failure to pass the budget would damage prospects of meeting the Maastricht convergence criteria, and impede progress towards lower interest rates.

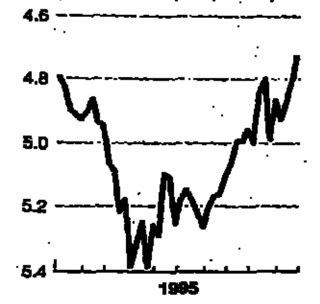
Sterling made some headway against the D-Mark, finishing at DM2.2011, from DM2.1936, but did not benefit much from the successful gilt auction. Against the dollar it finished at \$1.5795, from \$1.5815.

The German repo rate was left unchanged at 4.03 per cent.

■ Mr Tietmeyer's two forays into the subject of intervention appear to be aimed at reminding traders of the risks of selling the dollar aggressively. But as Mr Robin Aspinall, strategist at brokers Panmure Gordon in London, said: "It is becoming increasingly clear that the central banks are the only worthwhile source of support for the dollar...When the Bank of Japan intervenes, the dollar performs. The rest of the time, the liquidity that the BOJ has given domestic markets is having more impact on D-Mark/yen than dollar/yen."

Swedish krona

Against the D-Mark (SKr per DM)



Source: FT Extel

Mr Aspinall suggested that a Japanese investor wishing to diversify abroad in order to escape domestic financial risks would be more likely to buy Swiss francs, D-Marks or gold, than dollars.

Mr Neil MacKinnon, chief economist at Citibank in London, said the recent fall in the dollar had made investor sentiment "much more shaky". He said the move below DM1.40 had taken a lot of investors by surprise. "I don't think the market is short of dollars, but the move has led a lot of investors to rethink where we go from here."

Mr Steve Barrow, economist at Chemical Bank in London, said the dollar was currently responding more to international events – particularly the fragility of the Japanese financial system, and the strength of the D-Mark in Europe – than to US developments.

Economists at Nikko Europe believe that Japan's financial troubles will, in the months ahead, actually drag the dollar lower. They argue that the main factor behind a "significantly weaker" dollar in the first half of 1996 will be Japanese portfolio flows "which we expect to be repatriated home in order to help banks reduce their enormous bad debts prior to the end of their fiscal year. The emergence of a so called 'Japanese premium' in the eurodollar market will increase the pressure on the banks to reduce their bad debt levels."

■ The Bank of England provided £940m assistance towards helping clear a daily money market shortage of £950m. Three month LIBOR traded at 6 21/32 per cent, while short sterling futures rose across the board following the successful gilts auction.

■ OTHER CURRENCIES

Oct 25	£	$
Czech Rp	40.9795 - 41.0292	25.9200 - 25.9350
Hungary	206.123 - 206.332	130.540 - 130.590
Iran	4740.00 - 4737.00	3000.00 - 3000.00
Kuwait	0.4737 - 0.4742	0.3000 - 0.3001
Poland	3.8472 - 3.8520	2.4365 - 2.4380
Russia	0.0000 - 7121.2925	4507.00 - 4510.00
U.A.E.	5.7989 - 5.8041	3.6725 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Oct 25		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.4931	+0.0651	848 - 014	15.5405	15.4205	15.4627	2.4	15.4041	2.3	-	-	107.7
Belgium	(BFr)	45.2843	+0.1593	384 - 302	45.4020	45.1720	45.1893	2.5	44.9993	2.5	44.2643	2.3	110.5
Denmark	(DKr)	8.5538	+0.0271	487 - 589	8.5803	8.5340	8.5462	1.1	8.5296	1.1	8.4671	1.0	110.5
Finland	(FM)	6.6312	-0.0013	236 - 388	6.6620	6.6230	6.6268	0.8	6.6187	0.8	-	-	88.6
France	(FFr)	7.7375	+0.0297	335 - 415	7.7584	7.7109	7.7444	-1.1	7.75	-0.6	7.7446	-0.1	109.4
Germany	(DM)	2.2011	+0.0075	000 - 022	2.2100	2.1956	2.1959	2.8	2.1865	2.6	2.1456	2.5	113.6
Greece	(Dr)	364.486	+1.057	244 - 727	365.444	361.445	-	-	-	-	-	-	67.4
Ireland	(I£)	0.9735	-0.0004	726 - 744	0.9756	0.9721	0.9727	1.0	0.9714	0.9	0.9682	0.5	97.5
Italy	(L)	2552.08	-4.34	009 - 407	2556.40	2547.89	2559.33	-3.4	2574.23	-3.5	2642.38	-3.5	68.6
Luxembourg	(LFr)	45.2843	+0.1593	384 - 302	45.4020	45.1720	45.1893	2.5	44.9993	2.5	44.2643	2.3	110.5
Netherlands	(Fl)	2.4648	+0.0073	632 - 664	2.4793	2.4590	2.4583	3.1	2.4474	2.8	2.4012	2.6	110.5
Norway	(NKr)	9.7440	+0.0082	385 - 494	9.7781	9.7130	9.7316	1.5	9.7097	1.4	9.6342	1.1	99.3
Portugal	(Es)	232.755	+0.464	603 - 908	233.534	232.585	233.295	-2.8	234.515	-3.0	-	-	95.7
Spain	(Pta)	191.426	+0.535	312 - 543	192.038	191.006	191.926	-3.1	192.868	-3.0	197.268	-3.1	81.4
Sweden	(SKr)	10.4280	-0.0772	187 - 372	10.4855	10.3852	10.4302	-0.3	10.4348	-0.3	10.4581	-0.3	86.0
Switzerland	(SFr)	1.7925	+0.0052	914 - 936	1.8001	1.7899	1.7854	4.8	1.7735	4.2	1.7206	4.0	116.4
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	83.7
Ecu	-	1.2064	+0.0038	055 - 072	1.2092	1.2025	1.2053	1.1	1.203	1.1	1.1937	1.1	-
SDR†	-	1.04846	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5793	-0.002	787 - 798	1.5832	1.5765	-	-	-	-	-	-	-
Brazil	(R$)	1.5183	-0.0019	174 - 192	1.5215	1.5156	-	-	-	-	-	-	-
Canada	(C$)	2.1580	-0.0091	569 - 591	2.1662	2.1560	2.1591	-0.6	2.1611	-0.6	2.1649	-0.3	83.6
Mexico	(New Peso)	10.7327	+0.0417	214 - 440	10.7640	10.6535	-	-	-	-	-	-	-
USA	($)	1.5795	-0.002	790 - 800	1.5834	1.5765	1.5784	0.8	1.5763	0.8	1.5651	0.9	82.9
Pacific/Middle East/Africa													
Australia	(A$)	2.1093	-0.0092	079 - 106	2.1106	2.1077	2.1106	-0.7	2.1135	-0.8	2.1282	-0.9	85.6
Hong Kong	(HK$)	12.2138	-0.0147	091 - 185	12.2438	12.1914	12.2103	0.3	12.1979	0.5	12.1643	0.4	-
India	(Rs)	56.1513	-0.0711	545 - 480	56.2480	56.0110	-	-	-	-	-	-	-
Israel	(Shk)	4.7901	+0.012	852 - 950	4.8155	4.7358	-	-	-	-	-	-	-
Japan	(Y)	160.003	+1.576	874 - 133	160.340	158.560	159.088	6.9	157.478	6.3	150.553	5.9	141.2
Malaysia	(M$)	3.9993	+0.0104	972 - 014	4.0015	3.9867	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.4087	+0.0097	066 - 107	2.4108	2.4063	2.4146	-3.0	2.4239	-2.5	2.4495	-1.7	100.7
Philippines	(Peso)	41.0117	-0.0551	829 - 405	41.0970	40.9496	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.9239	-0.0076	219 - 259	5.9385	5.9130	-	-	-	-	-	-	-
Singapore	(S$)	2.2397	+0.0027	382 - 412	2.2413	2.2355	-	-	-	-	-	-	-
South Africa	(R)	5.7411	-0.0066	381 - 441	5.7544	5.7372	-	-	-	-	-	-	-
South Korea	(Won)	1208.87	-2.16	841 - 933	1211.93	1206.65	-	-	-	-	-	-	-
Taiwan	(T$)	42.5320	-0.0539	083 - 557	42.6267	42.4615	-	-	-	-	-	-	-
Thailand	(Bt)	39.6297	-0.0027	013 - 580	39.6860	39.5700	-	-	-	-	-	-	-

† Rates for Oct 24. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Oct 25		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	9.8089	+0.0473	067 - 110	9.8420	9.7660	9.7938	1.8	9.7637	1.8	9.6544	1.6	107.8
Belgium	(BFr)	28.6700	+0.137	500 - 900	28.7500	28.5700	28.629	1.7	28.56	1.7	28.25	1.5	110.1
Denmark	(DKr)	5.4155	+0.024	140 - 170	5.4354	5.3949	5.4162	-0.2	5.412	0.3	5.4215	-0.1	109.9
Finland	(FM)	4.1983	+0.0045	948 - 018	4.2188	4.1910	4.1978	0.1	4.1968	0.1	4.1923	0.1	87.7
France	(FFr)	4.8987	+0.025	977 - 997	4.9135	4.8755	4.9072	-2.1	4.9172	-1.5	4.9387	-0.8	109.3
Germany	(DM)	1.3936	+0.0066	933 - 938	1.3990	1.3885	1.3914	1.9	1.387	1.9	1.3685	1.8	112.9
Greece	(Dr)	230.760	+0.96	680 - 840	231.440	228.690	232.485	-9.0	235.685	-8.5	249.16	-8.0	66.9
Ireland	(I£)	1.6225	-0.0014	215 - 235	1.6255	1.6185	1.6227	-0.1	1.6228	-0.1	1.6293	-0.4	-
Italy	(L)	1615.75	-0.7	500 - 650	1619.25	1612.77	1622.5	-5.0	1634.55	-4.7	1691.75	-4.7	67.9
Luxembourg	(LFr)	28.6700	+0.137	500 - 900	28.7500	28.5700	28.629	1.7	28.55	1.7	28.25	1.5	110.1
Netherlands	(Fl)	1.5605	+0.0066	600 - 610	1.5674	1.5551	1.5579	2.0	1.5528	2.0	1.5328	1.8	109.9
Norway	(NKr)	6.1690	+0.013	675 - 705	6.1918	6.1420	6.1652	0.7	6.159	0.6	6.149	0.3	98.6
Portugal	(Es)	147.360	+0.48	310 - 410	147.900	147.040	147.825	-3.8	148.835	-4.0	153.46	-4.1	95.7
Spain	(Pta)	121.195	+0.49	160 - 230	121.620	120.770	121.575	-3.8	122.345	-3.8	125.84	-3.8	81.4
Sweden	(SKr)	6.6021	-0.0405	983 - 058	6.6349	6.5800	6.6196	-3.2	6.6561	-3.3	6.8246	-3.4	84.7
Switzerland	(SFr)	1.1349	+0.0048	345 - 352	1.1400	1.1318	1.1313	3.8	1.1252	3.4	1.0974	3.3	115.8
UK	(£)	1.5795	-0.002	790 - 800	1.5834	1.5765	1.5784	0.8	1.5763	0.8	1.5651	0.9	83.0
Ecu	-	1.3093	-0.0058	088 - 098	1.3146	1.3060	1.3097	-0.4	1.3104	-0.3	1.3127	-0.3	-
SDR†	-	0.66270	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	1.0000	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	0.9613	-	610 - 615	0.9618	0.9610	-	-	-	-	-	-	-
Canada	(C$)	1.3663	-0.004	660 - 665	1.3710	1.3657	1.3679	-1.4	1.371	-1.4	1.3833	-1.2	82.2
Mexico	(New Peso)	6.7950	+0.035	900 - 000	6.8050	6.7900	6.7973	-0.4	6.8004	-0.3	6.8053	-0.2	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	93.6
Pacific/Middle East/Africa													
Australia	(A$)	1.3353	-0.0041	349 - 358	1.3376	1.3330	1.3371	-1.6	1.3407	-1.6	1.3604	-1.9	85.9
Hong Kong	(HK$)	7.7327	+0.0005	322 - 332	7.7336	7.7320	7.7343	-0.2	7.7362	-0.2	7.7565	-0.3	-
India	(Rs)	35.5500	-	000 - 000	35.6000	35.4300	35.7	-5.1	36.005	-5.1	37.475	-5.4	-
Israel	(Shk)	3.0327	+0.0115	305 - 348	3.0482	2.9958	-	-	-	-	-	-	-
Japan	(Y)	101.300	+1.125	250 - 350	101.580	100.290	100.805	5.9	99.885	5.6	96.01	5.2	143.0
Malaysia	(M$)	2.5320	+0.0098	315 - 325	2.5330	2.5240	2.532	0.0	2.5324	-0.1	2.54	-0.3	-
New Zealand	(NZ$)	1.5249	+0.0081	242 - 258	1.5270	1.5223	1.529	-3.2	1.5365	-3.0	1.5612	-2.4	-
Philippines	(Peso)	25.9650	-0.002	550 - 750	25.9750	25.9500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-0.0001	504 - 506	3.7506	3.7503	3.7511	-0.2	3.7519	-0.1	3.7551	-0.1	-
Singapore	(S$)	1.4180	+0.0035	175 - 185	1.4190	1.4156	1.4145	2.9	1.4083	2.8	1.3835	2.4	-
South Africa	(R)	3.6348	+0.0005	340 - 355	3.6388	3.6335	3.6501	-8.3	3.7101	-8.3	3.9413	-8.4	-
South Korea	(Won)	765.350	-0.4	300 - 400	765.600	765.200	768.35	-4.7	771.85	-3.4	790.35	-3.3	-
Taiwan	(T$)	26.9275	-	210 - 340	-	-	26.9475	-0.9	26.9875	-0.9	-	-	-
Thailand	(Bt)	25.0900	+0.03	800 - 000	25.1000	25.0700	25.1775	-4.2	24.825	4.2	26.045	-3.8	-

† SDR rate per $ for Oct 24. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Oct 24. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

October 25	Over night	One month	Three mths	Six mths	One year	Lomb. Inter	Dis. rate	Repo rate
Belgium	3 7/8	4 1/8	4 3/16	4 3/16	4 3/16	8.00	3.50	-
week ago	4 1/16	4 1/8	4 1/8	4 1/8	4 3/16	8.00	3.50	-
France	7 1/4	7 1/8	7 1/8	7 1/8	6 7/8	5.00	-	7.00
week ago	6 13/16	7 1/16	6 13/16	6 13/16	6 3/4	5.00	-	7.00
Germany	4 1/16	4 1/8	4 1/16	4 1/16	4 1/16	5.50	3.50	4.03
week ago	4 1/16	4 1/16	4 1/16	4 1/16	4 1/8	5.50	3.50	4.03
Ireland	5 3/8	5 5/8	5 3/4	5 13/16	6 1/8	-	-	6.25
week ago	5 1/2	5 5/8	5 3/4	5 15/16	6 1/8	-	-	6.25
Italy	10 1/2	10 3/4	10 15/16	11 1/16	11 1/4	-	9.00	10.99
week ago	10 3/8	10 5/8	10 15/16	10 15/16	10 3/4	-	9.00	10.38
Netherlands	3 3/4	3 13/16	3 7/8	3 15/16	4 1/16	-	3.50	3.70
week ago	3 3/4	3 13/16	3 15/16	4	4 1/16	-	3.50	3.80
Switzerland	1 15/16	2 1/8	2 1/4	2 1/8	2 1/8	5.00	2.00	-
week ago	1 3/4	2 1/8	2 1/8	2 1/4	2 1/8	5.00	2.00	-
US	5 7/8	5 3/4	5 13/16	5 13/16	5 13/16	-	5.25	-
week ago	5 7/8	5 3/4	5 3/4	5 3/4	5 3/4	-	5.25	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
week ago	1/2	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5 3/4	5 13/16	5 3/4	5 3/4	-	-	-
week ago	-	5 3/4	5 13/16	5 3/4	5 3/4	-	-	-
US Dollar CDs	-	5.60	5.61	5.64	5.68	-	-	-
week ago	-	5.60	5.61	5.61	5.61	-	-	-
ECU Linked Ds	-	5 19/32	5 3/4	5 21/32	5 19/32	-	-	-
week ago	-	5 21/32	5 21/32	5 21/32	5 21/32	-	-	-
SDR Linked Ds	-	3 3/4	3 3/4	3 11/16	3 11/16	-	-	-
week ago	-	3 3/4	3 21/32	3 21/32	3 21/32	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Oct 25	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4 3/16 - 4 1/16	4 3/16 - 4 1/16	4 1/4 - 4 1/8	4 3/16 - 4 1/16	4 3/8 - 4 1/4	4 1/2 - 4 3/8
Danish Krone	5 3/8 - 4 7/8	5 1/2 - 5 1/4	5 5/8 - 5 7/16	5 3/4 - 5 9/16	5 13/16 - 5 9/16	5 15/16 - 5 11/16
D-Mark	4 1/16 - 3 15/16	4 1/8 - 4	4 1/8 - 4	4 1/8 - 4	4 1/8 - 4	4 1/8 - 4
Dutch Guilder	3 7/8 - 3 3/4	3 7/8 - 3 3/4	3 7/8 - 3 13/16	3 15/16 - 3 13/16	4 - 3 15/16	4 1/16 - 3 15/16
French Franc	8 1/4 - 5 7/8	7 1/2 - 7	7 1/4 - 7	7 1/4 - 6 13/16	7 1/16 - 6 13/16	6 7/16 - 6 3/16
Portuguese Esc.	8 15/16 - 8 13/16	8 15/16 - 8 13/16	9 1/8 - 9	9 5/16 - 9 3/16	9 7/16 - 9 1/4	9 5/8 - 9 7/16
Spanish Peseta	9 3/8 - 9 1/4	9 3/8 - 9 1/4	9 7/16 - 9 5/16	9 5/8 - 9 7/16	9 5/8 - 9 1/2	9 11/16 - 9 9/16
Sterling	6 3/8 - 6 1/4	6 1/2 - 6 3/8	6 5/8 - 6 15/32	6 23/32 - 6 21/32	6 25/32 - 6 23/32	6 25/32 - 6 23/32
Swiss Franc	2 3/16 - 1 15/16	2 3/16 - 2 1/16	2 1/8 - 2	2 3/16 - 2 1/16	2 3/16 - 2 1/16	2 1/4 - 2 1/8
Can. Dollar	6 5/16 - 6 1/8	6 11/16 - 6 1/2	7 1/2 - 7 3/8	7 3/8 - 7 1/4	7 1/4 - 7 1/8	7 1/4 - 7 1/8
US Dollar	5 3/4 - 5 1/2	5 13/16 - 5 11/16	5 7/8 - 5 11/16	5 7/8 - 5 11/16	5 7/8 - 5 11/16	5 7/8 - 5 11/16
Italian Lira	10 3/4 - 10 5/8	10 3/4 - 10 5/8	10 7/8 - 10 3/4	11 1/16 - 10 15/16	11 1/8 - 11	11 1/8 - 11
Yen	5/16 - 7/32	5/16 - 1/4	1/2 - 3/8	1/4 - 1/8	1/4 - 1/8	13/16 - 11/16
Asian $Sing	1 1/2 - 1 3/8	2 13/16 - 2 9/16	2 13/16 - 2 11/16	3 - 2 7/8	3 - 2 7/8	3 1/8 - 3

Short term rates are call for the US Dollar and Yen, others: two days' notice

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	92.91	92.94	+0.14	93.02	92.86	40,445	40,643
Mar	93.80	93.84	+0.12	93.87	93.74	8,663	31,847
Jun	94.28	94.27	+0.07	94.30	94.19	5,687	29,825

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.03	96.01	-0.01	96.03	96.00	13012	139936
Mar	96.17	96.16	+0.01	96.17	96.14	17221	154983
Jun	96.10	96.08	+0.01	96.10	96.06	12532	123345
Sep	95.88	95.89	+0.02	95.90	95.86	8136	91119

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	88.85	88.87	+0.06	88.90	88.82	8936	34712
Mar	89.23	89.21	+0.04	89.26	89.16	3735	26028
Jun	89.46	89.44	+0.03	89.51	89.43	1083	14620
Sep	89.58	89.57	+0.03	89.64	89.55	504	7580

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	97.82	97.82	+0.01	97.83	97.81	2803	22351
Mar	97.92	97.91	+0.01	97.92	97.89	1858	18720
Jun	97.82	97.81	+0.01	97.82	97.80	289	5872
Sep	97.61	97.62	+0.02	97.63	97.61	202	3318

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.21	94.19	+0.03	94.21	94.17	623	8544
Mar	94.43	94.43	+0.03	94.43	94.40	394	3829
Jun	94.42	94.44	+0.04	94.45	94.41	131	2480
Sep	94.28	94.32	+0.03	94.32	94.28	53	1460

* LIFFE futures also traded on APT

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.20	94.22	+0.02	94.25	94.19	70,257	387,447
Mar	94.34	94.48	+0.06	94.50	94.41	123,267	372,142
Jun	94.44	94.48	+0.06	94.51	94.41	71,912	258,313

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.79	94.82	+0.03	94.85	94.79	728	11,355
Mar	94.93	94.96	+0.05	94.98	94.92	1,278	4,329
Jun	94.85	94.98	+0.05	95.02	94.92	50	217

All Open interest figs. are for previous day

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Oct 25		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.89	17.09	4.861	2.151	5636	5.444	21.52	514.1	422.7	23.03	3.960	2.208	4.768	3.489	353.4	2.663
Denmark	(DKr)	52.93	10	9.046	2.573	1.139	2983	2.882	11.39	272.2	223.8	12.19	2.096	1.169	2.523	1.847	187.0	1.410
France	(FFr)	58.52	11.05	10	2.844	1.259	3298	3.186	12.59	300.9	247.4	13.48	2.317	1.292	2.789	2.042	206.8	1.559
Germany	(DM)	20.57	3.886	3.516	1	0.443	1159	1.120	4.427	105.8	86.96	4.739	0.815	0.454	0.980	0.718	72.69	0.548
Ireland	(I£)	46.49	8.782	7.945	2.260	1	2620	2.531	10.00	239.0	196.5	10.71	1.841	1.027	2.216	1.622	164.3	1.238
Italy	(L)	1.774	0.335	0.303	0.086	0.038	100.	0.097	0.382	9.122	7.500	0.409	0.070	0.039	0.085	0.062	6.270	0.047
Netherlands	(Fl)	18.37	3.470	3.139	0.893	0.395	1035	1	3.953	94.44	77.65	4.231	0.727	0.406	0.875	0.641	64.91	0.489
Norway	(NKr)	46.47	8.779	7.941	2.259	1.000	2619	2.530	10	238.9	196.4	10.70	1.840	1.026	2.215	1.622	164.2	1.238
Portugal	(Es)	19.45	3.674	3.324	0.945	0.418	1096	1.059	4.186	100.	82.22	4.480	0.770	0.430	0.927	0.679	68.73	0.518
Spain	(Pta)	23.66	4.469	4.043	1.150	0.509	1333	1.288	5.091	121.6	100.	5.449	0.937	0.522	1.127	0.825	83.59	0.630
Sweden	(SKr)	43.41	8.201	7.419	2.110	0.934	2447	2.363	9.342	223.2	183.5	10	1.719	0.959	2.069	1.515	153.4	1.156
Switzerland	(SFr)	25.25	4.771	4.316	1.228	0.543	1423	1.375	5.434	129.8	106.7	5.817	1	0.558	1.204	0.881	89.24	0.673
UK	(£)	45.28	8.554	7.738	2.201	0.974	2552	2.465	9.744	232.8	191.4	10.43	1.793	1	2.158	1.580	160.0	1.206
Canada	(C$)	20.98	3.964	3.586	1.020	0.451	1183	1.142	4.515	107.9	88.69	4.833	0.831	0.463	1	0.732	74.14	0.559
US	($)	28.66	5.414	4.897	1.393	0.616	1615	1.560	6.167	147.3	121.1	6.601	1.135	0.633	1.366	1	101.3	0.763
Japan	(Y)	28.30	5.346	4.836	1.375	0.609	1595	1.541	6.090	145.5	119.6	6.519	1.121	0.625	1.349	0.988	100.	0.754
Ecu		37.55	7.093	6.416	1.825	0.808	2116	2.044	8.080	193.0	158.7	8.648	1.487	0.829	1.789	1.310	132.7	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	0.7195	0.7207	+0.0005	0.7220	0.7168	23,477	54,014
Mar	0.7201	0.7239	+0.0004	0.7244	0.7201	213	2,827
Jun	-	0.7270	+0.0004	-	0.7500	5	172

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	0.8858	0.8888	+0.0026	0.8893	0.8824	19,760	34,402
Mar	0.8911	0.8967	+0.0025	0.8965	0.8905	159	1,938
Jun	-	0.9043	+0.0024	0.9030	0.8985	8	406

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	1.0030	0.9971	-0.0072	1.0050	0.9920	12,256	57,972
Mar	1.0120	1.0115	-0.0074	1.0130	1.0060	318	8,063
Jun	-	1.0248	-0.0079	-	1.0250	1	346

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	1.5778	1.5784	+0.0012	1.5792	1.5748	5,014	33,980
Mar	1.5728	1.5748	+0.0012	1.5748	1.5720	2	212
Jun	-	1.5708	+0.0012	1.5700	1.5690	2	10

EMS EUROPEAN CURRENCY UNIT RATES

Oct 25	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.15214	2.08707	+0.00317	-3.02	7.12	22
Belgium	39.3960	38.3184	+0.0304	-2.74	6.80	20
Germany	1.91007	1.86318	+0.00269	-2.45	6.49	24
Austria	13.4383	13.1124	+0.0194	-2.43	6.46	18
Denmark	7.28580	7.23762	+0.00396	-0.66	4.57	5
Spain	162.493	161.888	+0.11	-0.37	4.27	3
Portugal	195.792	196.986	-0.019	0.61	3.25	-4
France	6.40608	6.53619	-0.00756	2.03	1.81	-17
Ireland	0.792214	0.822950	-0.00188	3.88	0.00	-26
NON ERM MEMBERS						
Greece	292.867	308.361	+0.169	5.29	-1.34	-
Italy	2106.15	2157.38	-6.25	2.43	1.41	-
UK	0.786652	0.844527	-0.002417	7.36	-3.24	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	PUTS Nov	PUTS Dec	PUTS Jan
1.540	3.84	4.24	4.67	0.07	0.51	1.02
1.550	2.92	3.49	3.98	0.16	0.76	1.33
1.560	2.13	2.80	3.34	0.32	1.07	1.69
1.570	1.41	2.25	2.77	0.51	1.47	2.12
1.580	0.84	1.97	2.32	0.95	1.69	2.57
1.590	0.45	1.72	1.88	1.56	1.95	3.12

Previous day's vol., Calls 8,927 Puts 5,609 . Prev. day's open int., Calls 245,233 Puts 261,603

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	CALLS Mar	PUTS Nov	PUTS Dec	PUTS Jan	PUTS Mar
9600	0.05	0.09	0.23	0.27	0.04	0.08	0.07	0.11
9625	0.01	0.03	0.08	0.13	0.25	0.27	0.17	0.22
9650	0	0.01	0.02	0.05	0.49	0.50	0.36	0.39

Est. vol. total, Calls 6309 Puts 825. Previous day's open int., Calls 232185 Puts 228091

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9775	0.14	0.26	0.29	0.07	0.10	0.23
9800	0.02	0.11	0.16	0.20	0.20	0.35
9825	0.01	0.04	0.07	0.44	0.38	0.51

Est. vol. total, Calls 2400 Puts 0. Previous day's open int., Calls 4679 Puts 1475

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
8875	0.47	0.89	1.10	0.35	0.43	0.41
8900	0.32	0.73	0.94	0.45	0.52	0.50
8925	0.22	0.58	0.79	0.60	0.62	0.60

Est. vol. total, Calls 200 Puts 200. Previous day's open int., Calls 12568 Puts 6833

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	10
Allied Trust Bank	6.75	Exeter Bank Limited	7.75	Royal Bk of Scotland	6.75
AIB Bank	6.75	Financial & Gen Bank	7.50	●Singer & Friedlander	6.75
●Henry Ansbacher	6.75	●Robert Fleming & Co	6.75	●Smith & Williamson Secs.	6.75
Bank of Baroda	6.75	Girobank	6.75	TSB	6.75
Banco Bilbao Vizcaya	6.75	●Guinness Mahon	6.75	United Bank of Kuwait	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	Unity Trust Bank Plc	6.75
Bank of Ireland	6.75	●Hambros Bank	6.75	Western Trust	6.75
Bank of India	6.75	Heritable & Gen Inv Bk.	6.75	Whiteaway Laidlaw	6.75
Bank of Scotland	6.75	●Hill Samuel	6.75	Yorkshire Bank	6.75
Barclays Bank	6.75	C. Hoare & Co	6.75		
Brit Bk of Mid East	6.75	Hongkong & Shanghai.	6.75	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75	* In administration	
Citibank NA	6.75	●Leopold Joseph & Sons	6.75		
Clydesdale Bank	6.75	Lloyds Bank	6.75		
The Co-operative Bank	6.75	Meghraj Bank Ltd	6.75		
Coutts & Co	6.75	Midland Bank	6.75		
Credit Lyonnais	6.75	* Mount Banking	6.75		
Cyprus Popular Bank	6.75	NatWestminster	6.75		
		●Rea Brothers	6.75		

UK INTEREST RATES

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.28	93.28	+0.04	93.30	93.27	8943	87026
Mar	93.37	93.41	+0.07	93.42	93.37	21454	64258
Jun	93.30	93.36	+0.11	93.37	93.29	11831	47856
Sep	93.11	93.18	+0.12	93.19	93.10	7113	35513
Dec	92.88	92.95	+0.12	92.96	92.87	3600	25174

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9325	0.13	0.37	0.49	0.10	0.21	0.38
9350	0.04	0.23	0.35	0.26	0.32	0.49
9375	0.01	0.13	0.24	0.48	0.47	0.63

Est. vol. total, Calls 1468 Puts 5186. Previous day's open int., Calls 137506 Puts 136822

LONDON MONEY RATES

Oct 25	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6 1/2 - 4 1/2	6 9/16 - 6 3/8	6 11/16 - 6 1/2	6 13/16 - 6 11/16	6 13/16 - 6 11/16	6 7/8 - 6 3/4
Sterling CDs	-	-	6 19/32 - 6 9/16	6 11/16 - 6 5/8	6 23/32 - 6 21/32	6 23/32 - 6 21/32
Treasury Bills	-	-	6 19/32 - 6 17/32	6 19/32 - 6 17/32	-	-
Bank Bills	-	-	6 19/32 - 6 17/32	6 5/8 - 6 9/16	6 5/8 - 6 9/16	-
Local authority deps.	6 5/8 - 6 1/2	6 9/16 - 6 7/16	6 11/16 - 6 9/16	6 3/4 - 6 5/8	6 13/16 - 6 11/16	6 7/8 - 6 3/4
Discount Market deps	6 1/2 - 5	6 1/2 - 6 3/8	-	-	-	-

UK clearing bank base lending rate 6¾ per cent from February 2, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	3	5½	5½	6	6¼

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount 6.6715pc. ECGD fixed rate Stlg. Export Finance. Make up day Sep 29, 1995. Agreed rate for period Oct 26, 1995 to Nov 25, 1995, Schemes II & III 8.04pc. Reference rate for period Sep 1, 1995 to Sep 29, 1995, Schemes IV & V 6.795pc. Finance House Base Rate 7pc from October 1, 1995

LONDON SHARE SERVICE

BANKS, MERCHANT

Notes	Price	+ or –	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
Baring 8pc Cm 2nd Pf	50½	—	95	50¼	8.31	19.8	–
9¾pc Non-Cum Pf	4¼	—	118½	3	1.90	–	–
Cater Allen	483	—	525	418	157.8	7.5	7.3
Close Bros	316xd	—	*340½	216½	279.5	3.4	♣
Gerrard & Nat	448	—	490	395	218.6	6.3	14.5
Hambros	288	+6	293	180	368.4	4.5	52.4
7½pc Cv Pf	100½	—	112	94	129.5	9.3	–
Joseph (L)	423	—	463	353	22.4	5.2	23.6
King & Shaxson	127	—	145	85	32.6	8.9	9.9
Rea Brothers	46	—	67	44	21.9	2.8	18.0
Schroders	1340xd	–15	*1478	906½	2,035	1.3	19.2
NV	1090xd	–15	*1190	823¼	463.7	1.6	15.6
Singer & Fried	108xd	—	110	81	208.5	4.4	11.0
8½pc Cv Ln 09/14	£129½	—	£131	£100	39.7	6.6	–
Union	105	—	121	70	27.9	3.6	–
Wintrust	295	—	295	200	25.1	4.8	16.9

BANKS, RETAIL

Notes	Price	+ or –	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl	£26[illegible]	+[illegible]	£26[illegible]	£21⅝	8,121	4.8	9.8
ANZ A$	288	–1	290	196	3,724	5.1	8.1
Abbey National	548	–2	677½	413	7,246	4.4	11.0
Allied Irish I£	324	+1	330	250	2,159	4.5	9.4
Anglo Irish I£	63	—	64	48	216.8	7.0	12.7
Asahi Y	837½	–38	857¼	632¼	14,201	0.7	–
Banco Bil Viz Pta	£19[illegible]	–[illegible]	£20½	£14[illegible]	4,396	4.3	8.7
Banco Sant Pta	£29[illegible]	+[illegible]	£27⅝	£22[illegible]	4,292	5.1	18.0
Bk Ireland I£	428	+1	425	288	2,018	3.8	8.5
Bank Scotland	259xd	+1	270½	191½	3,051	3.0	11.5
9¼pc Pf	115½	+1½	128	109¼	115.8	10.4	–

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

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INV TRUSTS SPLIT CAPITAL - Cont.

Notes	Price	+ or -	1995 high	low	Yld Gr's	NAV	Dis or Pm(-)
[illegible]							

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FT-SE Actuaries Share Indices.

Notes	Price	+ or -	1995 high	low	Yld Gr's	NAV	Dis or Pm(-)
[illegible]							

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service

INVESTMENT COMPANIES

Notes	Price	+ or -	1995 high	low	Yld Gr's	NAV	Dis or Pm(-)
[illegible]							

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service

LEISURE & HOTELS

Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]							

LEISURE & HOTELS - Cont.

Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]							

LIFE ASSURANCE

Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]							

MEDIA

Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]							

OIL EXPLORATION & PRODUCTION

Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]							

OIL, INTEGRATED

Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]							

OTHER FINANCIAL

Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]							

OTHER SERVICES & BUSINESSES

Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]							

PAPER, PACKAGING & PRINTING

Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]							

PHARMACEUTICALS

Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]							

PROPERTY

Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]							

PROPERTY - Cont.

Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]							

RETAILERS, FOOD

Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]							

RETAILERS, GENERAL

Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]							

SPIRITS, WINES & CIDERS

Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]							

SUPPORT SERVICES

Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]							

SUPPORT SERVICES - Cont.

Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]							

TELECOMMUNICATIONS

Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]							

TEXTILES & APPAREL

Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]							

TOBACCO

Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]							

TRANSPORT

Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]							

WATER

Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]							

AIM

Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]							

AIM - Cont.

Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]							

The Alternative Investment Market, designed primarily for small companies, is regulated by the London Stock Exchange but has less demanding rules than the SE Official List.

AMERICANS

Notes	Price £	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]							

CANADIANS

Notes	Price £	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]							
Trans Can Pipe ♥	8¹⁄₁₆	+³⁄₃₂	9	7⅜	1,458	4.8	

SOUTH AFRICANS

Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind	£31⅞	----	£34	£29	2,109	2.6	φ
Barlow ♣	£8	----	£8⅜	£4⅞	1,589	1.2	28.3
Gold Flds Prop R	145xd	----	162	118	14.8	7.2	8.6
NK Props	98	----	95	85	3.46	13.6	-
SASOL ♥	532	----	649	435	3,222	2.5	-
SA Brews	£20¾	----	£20¾	£12⅞	5,902	1.7	φ
Standard Bank □	£24⅛	+½	£24⅛	£20⅞	2,874	1.9	16.9
Tiger Oats	1080	----	1087	700	1,824	1.4	28.1
Tongaat-Hulett †b	850	----	850	636	774.7	1.6	25.4

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted

Earnings used in calculations are based on IIMR "Headline Earnings" formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- φ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas Incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✦ USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend [illegible]
[illegible]
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v P/e ratios are calculated under new ACT guidelines.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after [illegible] official estimates for 1995.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
N Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

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UK Prof Advisers 0800 414181 Jersey 01534 71696
Private Clients 0800 414181 00 352 250404230
From O'seas (44) 1732 777377 Hong Kong (852) 848 1000

[illegible]

Prices for dealing October 25

Jupiter Tyndall (Bermuda) Ltd
PO Box HM1256, Hamilton, Bermuda 001 809 292 2780

Jupiter Tyndall World Umbrella Fund Ltd

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

Royal Bk of Canada O/S Fd Mgrs Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021

[illegible]

Latest Fund Prices 24hr service 01481 718043

Sarasin Funds Mngmt (Guernsey) Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021

[illegible]

Schroder Investment Mngmt (Guernsey) Ltd
PO Box 255, St Peter Port, Guernsey 01481 710651

[illegible]

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

[illegible]

Apollo Investment Management Ltd

[illegible]

Arab Bank Fund Managers (Guernsey) Ltd

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

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LUXEMBOURG (SIB RECOGNISED)

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LUXEMBOURG (REGULATED)(**)

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LONDON STOCK EXCHANGE

MARKET REPORT

Gilts rally gives only modest lift to shares

By Philip Coggan, Markets Editor

A successful result in the Bank of England's latest gilts auction failed to inspire the equity market for long yesterday, with the FT-SE 100 index trading within a narrow range.

The currency markets were once more subdued, with the dollar regaining some ground against the D-Mark. That allowed European stock markets to continue their rebound after Monday's losses and gave a modest fillip to London.

But the main focus of interest was the gilts market, where the £3bn auction was nearly twice subscribed, a much better result than occurred in September. As a result, gilts rallied across the board, with the 10-year benchmark issue closing more than a point higher and long gilts rising by 1¾ points.

The public sector borrowing requirement has substantially overshot its target so far this year and, with tax cuts widely expected in next month's Budget, the government needed a successful auction.

Yields on gilt-edged stocks have failed to follow equity yields lower in recent months, with the result that the yield ratio, which was *just in excess of 2 in June*, widened to 2.2. Yesterday's rally, however, took the 10-year yield back down towards the 8 per cent mark.

The auction result gave the equity market an initial lift and shortly after it was announced, the *Footsie reached its best level of the* day – 3,551.4, up 16.1 points. But the euphoria did not last for long, and it was downhill for much of the rest of the day.

British Gas weighed heavily on the market, *with its share price fall* equivalent to knocking nearly three points off the Footsie, making it the worst performer in the index. The regulator's comments about the potential damage to the company's *long term* financial position from over-priced gas contracts affected investor sentiment.

The mood on Wall Street also did not help, with the Dow Jones Industrial Average slipping around 26 points by the close of London trading. *The US weakness caused* the Footsie future to retreat in after-hours' trading.

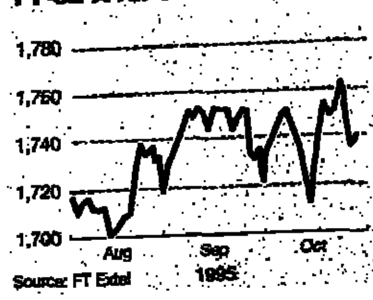
By the official close the Footsie had recorded a modest rise of 2.5 points at 3,537.8, while the FT-SE *Mid 250 rallied 1.6 points to 3,906.4.*

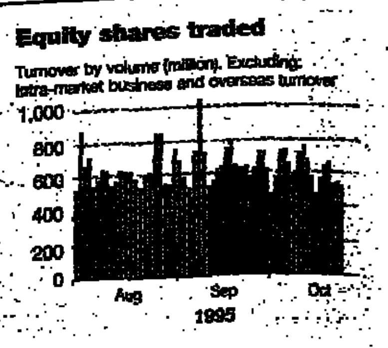
While takeover speculation has buoyed the leading indices in recent weeks, the broader market has been faltering. Declining stocks have outpaced advancing ones by 4,000 since September 14.

Mr Steve Wright, UK equity strategist at Barclays de Zoete Wedd, said: "The failure of shares to respond to gilts yesterday shows that, when you look at wider issues in the equity market, it is already looking fully valued."

Mr Wright added: "Earnings have been downgraded and we expect that to continue. Valuations look high relative to conventional and index-linked gilts. And the UK market no longer looks cheap relative to the rest of Europe." The BZW Footsie target for end-1995 is 3,500.

Trading was relatively subdued, with only 634.8m shares traded by the 6pm count, of which more than 40m were in the penny stock Middlesex Holdings. Retail business on Tuesday was worth £1.4bn.





Indices and ratios

FT-SE 100	3537.8	+2.5
FT-SE Mid 250	3906.4	+1.6
FT-SE-A 350	1760.5	+1.1
FT-SE-A All-Share	1739.35	+1.05
FT-SE-A All-Share yield	3.84	(3.84)
FT Ordinary index	2582.4	-0.3
FT-SE-A Non Fins p/e	16.75	(16.75)
FT-SE 100 Fut Dec	3560.0	+13.0
10 yr Gilt yield	8.03	(8.21)
Long gilt/equity yld ratio:	2.17	(2.20)

Best performing sectors

1. Household Goods .... +1.1
2. Bldg. & Construction .... +1.1
3. Bldg. Mats & Merchants .... +1.0
4. Health Care .... +0.8
5. Pharmaceuticals .... +0.7

Worst performing sectors

1. Gas Distribution .... -4.3
2. Oil Exp. & Prod. .... -1.5
3. Insurance .... -0.8
4. Elec. & Elect. Equip. .... -0.7
5. Media .... -0.6

Gas sags on Ofgas pressure

British Gas shares fell almost 4.5 per cent, the biggest decline among Footsie stocks, in reaction to comments from the industry regulator.

Ms Clare Spottiswoode, the director general of Ofgas, said the company had been too complacent in its treatment of £40bn of long term contracts, which require it to pay for gas even if it cannot sell it in the open market.

But it was her suggestion that the contracts could threaten the company's long term survival which prompted the shares to drop 11 to 236½p, on hefty turnover of 20m.

Many industry analysts were surprised at the extent of the fall. They said costs of around £2bn, to meet the obligation to buy gas at a relatively high price, had already been factored into forecasts.

And they believed Ms Spottiswoode was being unnecessarily alarmist. Mr John Toalster of SGST said: "It is serious and painful and they should never have got themselves into *this* mess. But *to suggest it* will scupper the company is wild talk that you would not expect from a regulator."

Also, the shares had already come down a long way – they were above 300p in June – and offer a dividend yield almost twice as high as the yield on the FT-SE-A All-Share index.

But some were more cautious. One specialist salesman said: "Yes, the talk was alarmist, but people think that after the company, the regulator has the most information. And if she thinks the market has not got to the bottom of the problem, the market worries."

Glaxo rise stemmed

The rise and rise of Glaxo Wellcome's share price continued until mid-afternoon.

It was then brought to a sudden halt, after Novopharm, of Canada, said it was confident it could produce a version of Zantac, Glaxo's biggest selling drug, without infringing the Form Two patent which has another seven years to run.

Also, Novopharm believes it will be able to sell a Form One version of the drug from the beginning of 1996, because of a recent ruling against a GATT decision on patent extensions.

One analyst commented: "To *see Novopharm saying out*right they have a clear structure that will not infringe the Form Two patent is significant. It shows they will definitely be on the market by July 1997, and possibly by early 1996, if they beat the GATT extension ruling."

The decision will be a setback for the giant pharmaceuticals group, which has just achieved an out-of-court settle*ment over another challenge* and believed it would be able to secure US sales of the world's biggest drug until 2002.

Glaxo shares, which had been up 8, fell back after the Novopharm statement to close only 2½ ahead at 860p. SmithKline Beecham "A" improved 9 to 673p after announcing a 9 per cent rise in third-quarter profits. The profit of £310m was in line with forecasts, but analysts said the consumer side had performed well and the tax rate was slightly lower than forecast.

C&W disposal talk

A buy note from ABN Amro Hoare Govett focusing on the potential for asset disposals underpinned Cable and Wireless, ahead of next week's results from top unit Hong Kong Telecom. The shares added 5½ at 421p.

ABN sees C&W as increasingly focused and capable of penetrating chosen markets in greater depth. It estimates the value of potential non-core disposals at more than £500m and suggests that C&W operations in Japan, Eastern Europe and South Africa could all shortly be on the auction block.

Shipping and property giant P&O, which stood at 637p ear*lier this year, continued to find* ready buyers and the stock put on 10 at 483p for a three-day rally of more than 4 per cent.

The shares have been noticeably weak since mid-September's disappointing interim results, trailing the market as a whole by more than a fifth up until last Friday's close.

Most analysts take a cautious view of P&O. But at least one top securities house stands by a long term buy recommendation, and the 8 per cent yield has recently begun to attract the *income funds*.

A James Capel recommendation boosted National Westminster, although later the bank's shares fell back with the market to close only 4½ higher at 656p. The agency broker was raising the possibility of a share buyback once the disposal of the US Bancorp arm is made. The sale of Bancorp is expected to raise around at least $4bn (£2.5bn) *and NatWest apparently has* permission to buy back up to 100m shares.

Standard Chartered climbed 15 to 514p as one leading institution, which had been underweight in the stock, attempted to correct the position.

Reuters Holdings dipped 16 to 557p after NatWest Securities told clients the shares were near to their all-time high in price relative terms. Reuters is to announce third-quarter figures on Friday and is expected to reveal a slowdown in *revenue growth*.

North West Water rose 18 to 588p after UBS upgraded the stock to buy from hold following recent underperformance.

The broker said the stock looked cheap even on a worst case scenario and quoted a target price of 640p on the shares.

Analyst Mr Lakis Athanasiou said the acquisition of Norweb would cause very mild dilution over a 10-year period, *as a result of the flow back of* savings to customers. But the company would still be able to lift the dividend by more than 7 per cent a year, in real terms, over the next five years. Norweb rose 3 to 1136p.

London Electricity declined 11 to 913p as takeover hopes receded further.

Kingfisher responded to a positive presentation at its Superdrug unit with a 3 *improvement to 485p in turn*over of 5.3m shares.

Leisure leader Thorn EMI lurched lower, as a line of stock came on offer. The shares closed 22 off at 1494p as NatWest Securities attempted to place some 2m shares.

Vague bid talk got behind nightclubs and ten-pin bowling group First Leisure. The shares jumped 18 to 346p in nominal turnover. Fading takeover hopes were *said to have* prompted a fall of 7 to 77p in electronics games group CentreGold.

Wolseley raced to the top of the Footsie performance charts, jumping more than 5 per cent – by 20 to 396p – as investors focused on the chances of a sector rerating. NatWest Securities and Merrill Lynch are advising clients to move to overweight in builders merchants and the latter yesterday shifted from hold to add on Wolseley.

Timber leader Meyer International also rose strongly, by 15 to 355p, as talk of imminent corporate activity resurfaced. The group's name has been linked with that of Harcros, *the Harrisons & Crosfield* building supplies subsidiary, which has more than 250 outlets in the UK and US.

Volume in the London market was boosted by turnover of 40m in USM-quoted Middlesex Holdings, which announced a joint venture yesterday. Half of the turnover represented agency crosses at 8¼p a share, as Mr Phil Edmonds, the outgoing chairman and former crick*eter, sold through stockbroker* Hichens Harrison. The shares moved ahead ¾ to 9p.

MARKET REPORTERS:

Peter John,
Jeffrey Brown.

FINANCIAL TIMES EQUITY INDICES

	Oct 25	Oct 24	Oct 23	Oct 20	Oct 19	Yr ago	*High	*Low
Ordinary Share	2582.4	2582.7	2579.5	2599.6	2621.2	2298.5	2686.5	2238.3
Ord. div. yield	4.10	4.10	4.10	4.08	4.05	4.47	4.73	4.02
P/E ratio net	15.67	15.67	15.66	15.92	16.01	18.06	21.33	15.35
P/E ratio nil	15.48	15.48	15.47	15.73	15.82	17.61	22.21	15.17

*For 1995. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2586.9	2594.9	2593.0	2594.3	2590.3	2587.3	2588.8	2583.4	2582.9	2596.5	2580.9

	Oct 25	Oct 24	Oct 23	Oct 20	Oct 19	Yr ago
SEAQ bargains	26,002	26,726	28,498	28,064	29,824	21,225
Equity turnover (£m)†	-	1397.4	1288.9	1451.0	1609.6	999.9
Equity bargains†	-	31,670	32,615	33,375	34,811	24,627
Shares traded (ml)†	-	552.6	570.4	569.3	658.4	434.7

†Excluding intra-market business and overseas turnover.

London market data

Rises and falls*		1995 Highs and lows		LIFFE Equity options	
Total Rises	676	Total Highs	80	Total contracts	24,260
Total Falls	470	Total Lows	48	Calls	11,081
Same	1,736			Puts	13,179

Oct. 25 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3562.0	3560.0	+13.0	3579.0	3542.0	10953	65798
Mar	3599.0	3589.0	+13.0	3599.0	3599.0	40	3018
Jun		3594.0	+13.0			0	134

FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		3930.0	-4.0			0	3537

FT-SE 100 INDEX OPTION (LIFFE) (*3536) £10 per full index point

	3350 C	3350 P	3400 C	3400 P	3450 C	3450 P	3500 C	3500 P	3550 C	3550 P	3600 C	3600 P	3650 C	3650 P	3700 C	3700 P
Nov	204½	7	159	10½	116½	18½	79½	31	48½	52½	26	82	11	121½	4½	170
Dec	230½	19½	189	27½	151	40	115½	56	84½	76½	59	102½	38½	135	26	174½
Jan	248	29½	210	41½	173	54	141	72½	111½	93½	87	120½	65½	150½	48½	186½
Feb	266	37½	229½	50	192½	63½	162	83	132	103½	108½	129½	84	158½	64½	192½
Jun†			274	93½			210½	128			157	173½			118	228½

Calls 2,724 Puts 4,045

EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3375 C	3375 P	3425 C	3425 P	3475 C	3475 P	3525 C	3525 P	3575 C	3575 P	3625 C	3625 P	3675 C	3675 P	3725 C	3725 P
Nov	180	7	135½	12	96	22	61	37	35	61	18	93½	8	133½	3	178
Dec	287½	24½	166	32½	129	45	95½	61	67	82	44	108½	27½	141½	16½	179½
Jan	221½	26½	184	38½	150½	54	128½	73½	95	97	73	124½	55	155½	49½	190½
Mar			222	62½			155½	93			101½	136½			62½	194½
Jun†			257½	96½			198½	132½			146½	176			102	227

Calls 568 Puts 415 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995 High	1995 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	32.2	93	92	Abtrust Asian Smlr	[illegible]					
-	F.P.	2.24	33	32	Do Warrants	[illegible]					
50	F.P.	14.1	71	50	Consolidated Coal	[illegible]					
-	F.P.	39.2	139	102	†Creos Intl	[illegible]					
-	F.P.	5.85	130	120	†Euro Sales Fin	[illegible]					
-	F.P.	0.59	28	17½	German Sml Wts	[illegible]					
-	F.P.	5.70	40	25	Hay & Robertson	[illegible]					
-	F.P.	11.4	119	112	†Indpt Radio	[illegible]					
45	F.P.	17.6	61	52	†MultiMedia	[illegible]					
-	F.P.	18.9	105	100	Murray Vct	[illegible]					
-	F.P.	14.4	61	60	Pembertsone	[illegible]					
100	F.P.	30.9	104	99	Pictet British	[illegible]					
400	F.P.	3.62	400	400	†Preston Nth End	[illegible]					
-	F.P.	-	½	½	Upton & Sthn Wts	[illegible]					

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Oct 24	% chg on day	Oct 23	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (34)	1779.89	-0.5	1788.09	2282.57	2.02	-	2282.57	1637.91
Regional Indices								
Africa (16)	2451.79	-0.6	2465.51	3677.79	4.16	21.23	3677.79	2428.19
Australasia (6)	2165.29	-1.2	2192.46	2951.49	2.30	24.26	2951.49	1788.20
North America (12)	1532.54	-0.2	1536.25	1789.48	0.88	44.05	1831.00	1348.18

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FT - SE Actuaries Share Indices — The UK Series

	Oct 25	Day's chge%	Oct 24	Oct 23	Oct 20	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3537.8	+0.1	3535.3	3531.5	3551.4	2999.9	4.00	2.08	15.02	126.41	1403.69
FT-SE Mid 250	3906.4	.....	3904.8	3912.5	3939.5	3467.2	3.49	1.84	19.49	119.61	1520.87
FT-SE Mid 250 ex Inv Trusts	3927.3	+0.1	3924.7	3933.3	3959.9	3466.1	3.63	1.89	18.20	125.24	1528.98
FT-SE-A 350	1760.5	+0.1	1759.4	1758.6	1769.0	1508.4	3.89	2.03	15.82	60.89	1427.55
FT-SE-A 350 Higher Yield	1755.6	+0.1	1754.5	1754.1	1762.5	1507.0	4.93	1.82	13.89	76.85	1181.04
FT-SE-A 350 Lower Yield	1770.0	+0.1	1768.9	1767.8	1780.3	1471.9	2.80	2.41	18.48	43.84	1198.57
FT-SE SmallCap	1958.17	.....	1955.52	1958.38	1965.31	1774.16	3.32	1.66	22.63	53.84	1574.76
FT-SE SmallCap ex Inv Trusts	1943.89	.....	1942.97	1945.66	1950.83	1747.44	3.54	1.74	20.32	56.59	1573.06
FT-SE-A ALL-SHARE	1739.35	+0.1	1738.30	1737.81	1747.78	1496.80	3.84	2.01	16.19	59.21	1433.48

FT-SE Actuaries All-Share

	Oct 25	Day's chge%	Oct 24	Oct 23	Oct 20	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(23)	2905.61	-0.1	2907.76	2903.04	2926.27	2662.10	3.88	2.09	15.44	105.02	1217.79
12 Extractive Industries(7)	4086.89	-0.1	4090.57	4124.29	4196.17	3803.32	3.62	2.51	13.75	143.77	1171.80
15 Oil, Integrated(3)	2898.42	+0.1	2896.68	2883.39	2899.82	2625.38	4.05	2.04	15.15	107.92	1243.73
16 Oil Exploration & Prod(13)	1876.30	-1.5	1904.51	1817.06	1933.76	1870.33	2.68	1.49	31.41	49.88	1113.71
20 GEN INDUSTRIALS(278)	1942.65	+0.2	1939.41	1941.06	1956.42	1831.67	4.24	1.83	16.13	70.85	1036.35
21 Building & Construction(36)	906.14	+1.1	896.56	900.08	907.90	1040.88	4.49	1.94	14.35	37.56	744.48
22 Building Matls & Merchs(31)	1673.13	+1.0	1656.83	1664.70	1679.52	1784.76	4.45	2.02	13.94	65.30	826.41
23 Chemicals(23)	2436.86	+0.4	2427.42	2436.80	2456.11	2294.14	3.95	1.82	17.39	80.85	1127.61
24 Diversified Industrials(20)	1745.47	+0.2	1741.45	1738.56	1742.23	1728.41	5.66	1.58	13.95	87.22	948.45
25 Electronic & Elect Equip(36)	2111.26	-0.7	2126.03	2128.19	2158.64	1825.91	3.55	1.93	18.30	61.51	1075.86
26 Engineering(69)	2138.23	-0.5	2148.82	2149.82	2173.01	1772.29	3.42	1.99	18.35	59.70	1271.82
27 Engineering, Vehicles(13)	2530.11	+0.4	2520.38	2529.51	2568.44	2232.41	3.71	1.17	28.91	92.14	1288.31
28 Paper, Pckg & Printing(27)	2903.58	+0.6	2886.41	2865.36	2864.17	2758.31	3.44	2.49	14.61	86.90	1184.89
29 Textiles & Apparel(21)	1543.77	+0.4	1537.70	1541.29	1564.13	1547.51	4.68	1.78	15.01	52.57	913.67
30 CONSUMER GOODS(91)	3486.74	+0.3	3475.87	3468.65	3437.87	2869.17	3.86	1.81	17.85	118.91	1259.40
31 Breweries(18)	2613.31	+0.2	2607.04	2611.79	2634.39	2218.03	3.81	1.99	16.48	62.79	1222.44
32 Spirits, Wines & Ciders(10)	2910.27	-0.2	2916.79	2919.95	2943.35	2747.05	4.11	1.84	16.51	106.86	1023.26
33 Food Producers(24)	2497.43	-0.4	2506.25	2515.48	2529.25	2233.58	4.05	1.80	17.13	82.35	1099.29
34 Household Goods(11)	2662.31	+1.1	2632.97	2633.09	2655.48	2386.77	3.59	2.04	17.01	84.01	998.92
36 Health Care(17)	1988.20	+0.8	1972.78	1979.72	1982.52	1602.81	2.62	1.83	26.11	48.10	1182.51
37 Pharmaceuticals(10)	4810.04	+0.7	4777.40	4743.14	4564.19	2936.78	3.43	1.71	21.39	153.87	1603.79
38 Tobacco(1)	4531.92	+0.7	4502.27	4481.10	4502.27	3498.25	5.29	1.90	12.46	229.23	1096.41
40 SERVICES(226)	2153.28	.....	2154.00	2154.43	2172.18	1875.34	3.10	2.06	18.62	59.00	1098.85
41 Distributors(30)	2666.42	+0.3	2657.19	2678.55	2710.13	2467.37	3.73	1.77	18.95	90.38	966.20
42 Leisure & Hotels(29)	2500.20	-0.1	2503.96	2522.35	2542.86	2027.01	3.20	1.85	21.10	73.67	1280.67
43 Media(43)	3349.42	-0.6	3370.53	3389.57	3410.45	2759.96	2.17	2.40	23.97	77.87	1197.47
44 Retailers, Food(16)	2033.71	+0.5	2024.56	2008.81	2018.29	1867.60	3.54	2.41	14.67	58.55	1264.31
45 Retailers, General(44)	1772.27	+0.1	1769.91	1767.35	1786.62	1633.15	3.31	2.13	17.73	49.07	993.24
48 Support Services(37)	1846.04	-0.5	1856.21	1853.85	1868.27	1483.88	2.47	2.42	20.86	35.17	1155.70
49 Transport(20)	2199.85	+0.5	2189.19	2172.13	2194.58	2198.38	3.92	1.29	24.76	72.68	897.79
51 Other Services & Business(7)	1207.77	+0.1	1206.26	1197.23	1199.74	1234.76	4.29	1.40	20.76	38.30	1081.29
60 UTILITIES(36)	2502.97	-0.3	2510.56	2519.09	2536.14	2345.21	4.56	2.01	13.67	85.19	1022.39
62 Electricity(14)	2806.89	-0.2	2812.16	2811.38	2833.58	2440.67	3.97	2.92	10.80	116.18	1248.94
64 Gas Distribution(2)	1577.54	-4.3	1648.05	1660.72	1679.92	1865.20	7.60	0.65	25.37	119.82	791.48
66 Telecommunications(7)	2087.65	+0.3	2080.51	2091.74	2105.06	1970.45	3.93	1.71	18.62	51.48	928.54
68 Water(13)	2088.23	+0.6	2076.00	2078.66	2082.38	1842.93	5.49	2.75	8.29	85.07	1109.89
69 NON-FINANCIALS(654)	1846.22	+0.1	1845.25	1845.41	1852.24	1617.16	3.86	1.93	16.75	62.50	1366.69
70 FINANCIALS(113)	2723.61	+0.1	2719.65	2713.55	2752.96	2116.07	4.09	2.45	12.48	103.73	1137.28
71 Banks, Retail(9)	3826.12	+0.5	3806.42	3782.79	3840.75	2784.69	3.80	2.82	11.67	140.81	1206.76
72 Banks, Merchant(6)	3612.58	-0.5	3630.06	3631.72	3656.63	2647.52	2.57	2.74	17.76	91.76	1128.31
73 Insurance(25)	1370.91	-0.8	1382.39	1391.07	1421.75	1212.21	5.38	2.69	8.65	72.25	1003.79
74 Life Assurance(6)	3140.80	-0.6	3158.68	3157.34	3198.36	2337.30	4.44	1.53	18.34	136.72	1279.57
77 Other Financial(22)	2392.06	.....	2393.06	2409.75	2423.91	1792.84	3.69	1.94	17.42	62.49	1332.54
79 Property(45)	1352.96	+0.2	1350.62	1352.59	1368.14	1441.99	4.58	1.33	20.47	46.43	810.85
80 INVESTMENT TRUSTS(133)	2913.10	-0.2	2918.17	2921.10	2945.43	2690.49	2.25	1.06	52.18	53.94	1003.73
89 FT-SE-A ALL-SHARE(900)	1739.35	+0.1	1738.30	1737.81	1747.78	1496.80	3.84	2.01	16.19	59.21	1433.48
FT-SE-A Fledgling	1080.86	+0.3	1078.10	1077.25	1079.65	-	2.82	1.28	34.61	26.05	1109.16
FT-SE-A Fledgling ex Inv Trusts	1081.17	+0.3	1077.91	1076.46	1078.18	-	2.95	1.34	31.56	27.02	1110.69

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3544.7	3550.5	3547.7	3550.9	3546.7	3541.2	3544.3	3536.0	3539.0	3551.4	3533.4
FT-SE Mid 250	3908.8	3911.5	3912.5	3913.4	3911.9	3910.8	3911.0	3908.5	3907.1	3913.5	3906.4
FT-SE-A 350	1763.4	1765.8	1764.9	1766.2	1764.5	1762.2	1763.4	1760.0	1761.0	1766.4	1758.8

Time of FT-SE 100 Day's high: 10.46am Day's low: 3.27pm. FT-SE 100 1995 High: 3593.0(18/10) Low: 2954.2(23/1).

FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	893.5	896.2	897.0	903.9	904.2	904.7	904.7	905.0	903.4	903.1	891.1	+12.0
Pharmaceuticls	4786.8	4770.3	4755.0	4761.8	4760.6	4758.0	4771.1	4748.0	4755.2	4756.6	4723.9	+32.7
Water	2076.1	2075.5	2077.5	2080.8	2083.1	2082.9	2082.9	2083.8	2083.9	2083.8	2071.3	+12.5
Banks, Retail	3870.4	3875.5	3886.2	3889.3	3885.9	3873.0	3880.7	3868.4	3874.1	3875.0	3855.0	+20.0

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL.
The FT "500" has been renamed FT-SE-A Non-Financials index. The FT-SE 100, the FT-SE Mid 250, the FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1995. © The Financial Times Limited 1995. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative. NAME CHANGE: Vinten Grp. to Vitec Grp. (Mid-250 & 26), Millgate to Storidata Solutions (Fledgling).

TRADING VOLUME

Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	140	409	-3
ASDA Group†	14,000	100¼	+¼
Abbey National†	2,000	549	-2
Albert Fisher	2,100	50½	-½
Allied Domecq†	1,000	519	+2
Anglian Water	343	569	
Argos	167	504	-2
Argyll Group†	[illegible]	[illegible]	[illegible]
Arjo Wiggins†	[illegible]	[illegible]	[illegible]
Assoc. Brit. Foods†	[illegible]	[illegible]	[illegible]
Assoc. Brit. Ports	[illegible]	[illegible]	[illegible]
BAA†	[illegible]	[illegible]	[illegible]
BAT Inds.†	[illegible]	[illegible]	[illegible]
BET	[illegible]	[illegible]	[illegible]
BICC	[illegible]	[illegible]	[illegible]
BOC†	[illegible]	[illegible]	[illegible]
BPB Inds.	[illegible]	[illegible]	[illegible]
BSkyB†	[illegible]	[illegible]	[illegible]
BT†	[illegible]	[illegible]	[illegible]
BTR†	[illegible]	[illegible]	[illegible]
Bank of Scotland†	[illegible]	[illegible]	[illegible]
Barclays†	[illegible]	[illegible]	[illegible]
Bass†	[illegible]	[illegible]	[illegible]
Blue Circle†	[illegible]	[illegible]	[illegible]
Boots†	[illegible]	[illegible]	[illegible]
Bowater	[illegible]	[illegible]	[illegible]
Brit. Aerospace†	[illegible]	[illegible]	[illegible]
British Airways†	[illegible]	[illegible]	[illegible]
British Gas†	[illegible]	[illegible]	[illegible]
British Land†	[illegible]	[illegible]	[illegible]
British Petroleum†	[illegible]	[illegible]	[illegible]
British Steel†	[illegible]	[illegible]	[illegible]
Bunzl	[illegible]	[illegible]	[illegible]
Burmah Castrol†	[illegible]	[illegible]	[illegible]
Burton	[illegible]	[illegible]	[illegible]
Cable & Wire†	[illegible]	421	[illegible]
Cadbury Schweppes†	4,200	525	
Caradon	2,400	199	+1
Carlton Comms.†	1,100	957	+2
Coats Viyella	2,600	193	+1
Comm. Union†	2,200	600	-10
Compass	483	433	-2½
Cookson†	917	290	
Courtaulds†	1,100	383	+1
Dalgety	227	420	-2
Danka	47	556	-19
De La Rue†	212	913	+2
Dixons	2,400	386	+2
East Midland Elect.	497	879	-4
Electrocomps	1,700	310	+2
Eng China Clays	330	342	-7
Enterprise Oil†	1,100	338	-5
Eurotunnel Units	1,900	93	-3
FKI	522	158	
Fisons	103	263½	+½
Foreign & Col. I.T.	238	147½	-½
Forte†	3,700	244	+4
Gen. Accident†	435	644	-3
General Elect.†	10,000	315	-3
Glaxo Wellcome†	7,300	860	+2½
Glynwed	2,100	343	+4
Granada†	2,200	678	-6
Grand Met.†	4,500	438	-1
GUS†	1,200	586	+1
GRE†	8,800	227	-4
GKN†	714	786	+10
Guinness†	2,400	504	-2½
HSBC (75p shs)†	1,600	944	+4½
Hammerson	397	323	-2
Hanson†	4,900	194½	+¼
Harrisons Crosfield	497	151	-1
Hays	1,100	368½	+½
Hillsdown	1,700	166	
IMI	3,100	332	-4
ICI†	3,400	803	+10
Inchcape†	616	318	+8
Johnson Matthey	172	598	+2
Kingfisher†	5,300	485	+3
Kwik Save	28	684	-1
Ladbroke†	2,300	166	+1
Land Securities†	1,700	575	+2
Laporte	340	632	-1
Legal & General†	1,500	641	+2
Lloyds Abbey	408	453	+5
Lloyds Bank†	2,300	777	+8
LASMO†	4,800	151	-4
London Elect.†	391	913	-11
Lonrho	1,200	159	-2
Lucas	704	188	+1
MEPC	1,800	368	+4
MFI	2,400	139	+3
Marks & Spencer†	1,800	432	
Mercury Asset Man	875	929	-4
Midlands Elect.†	1,600	964	+1
Morrison (Wm.)	304	150	
NFC	2,800	157	+5
NatWest Bank†	3,100	656	+4½
National Power†	843	485	
Next	764	408	-4
North West Water†	3,200	588	+18
Northern Elect.	750	849	-4
Northern Foods	2,600	185½	-½
Norweb	38	1136	+3
Pearson†	687	629	
P & O†	3,300	483	+10
Pilkington	2,300	186	-1
PowerGen†	517	587	+1
Prudential†	3,000	398	-4½
REXAM†	1,200	408	+10
RMC†	227	1035	+1
RTZ†	934	897	+1
Racal	2,200	258	-2
Rank Org.†	1,300	418	+2
Reckitt & Colman†	946	691	+11
Redland†	2,600	354	+4
Reed Intl.†	1,300	955	+3
Rentokil†	1,100	321	-7
Reuters†	5,300	557	-16
Rolls Royce†	6,800	155½	-5½
Ryl Bk Scotland†	722	517	
Royal Insurance†	2,600	383	-2
Sainsbury†	4,000	408	+2
Schroders†	72	1348	-15
Scottish & New.†	1,700	568	+1
Scot. Hydro-Elect.	2,300	347	
Scottish Power†	1,300	357½	-2½
Sears†	1,100	108	+1
Sedgwick	540	105	
Seeboard	1,400	515	-1
Severn Trent†	320	658	+1
Shell Transport†	4,500	734	
Siebe†	497	743	-2
Slough Ests	44	191	
Smith (W.H.)	174	376	
Smith & Nephew†	2,400	195	+3
SmKl Beecham†	7,200	673	+9
SmKl Beecham Uts.†	2,300	580½	+15½
Smiths Inds.	1,900	590	+15
Southern Elect.†	1,200	854	-1
South Wales Elect.	337	916	-4
South West Water	74	511	
Southern Water	215	699	+8
Standard Chartd.†	4,800	514	+15
Storehouse	1,500	310	-1
Sun Alliance†	1,000	350	-2
T&N	2,600	159	-1
TI Group†	1,200	420	-3
TSB†	8,300	373	+4
Tarmac	2,300	85½	-½
Tate & Lyle†	1,500	443	+4
Taylor Woodrow	147	107	
TeleWest	436	178	-2
Tesco†	4,700	305	+2
Thames Water†	882	515	+2
Thorn EMI†	3,700	1494	-22
Tomkins†	3,000	282½	+½
Trafalgar House	2,700	22	-¼
Unigate	527	414	-2
Unilever†	2,500	1228	-10
United Biscuits	1,900	262	+1
Utd. News & Media	707	820	+6
Vodafone†	5,100	264	+1½
Welsh Water	375	770	+1
Wessex Water	95	344	+1
Whitbread†	965	613	+3
Williams Hldgs.†	548	320	+3
Willis Corroon	53	128	+1
Wimpey	1,600	103	+1
Wolseley†	2,300	398	+20
Yorkshire Elect.	1,500	898	-5
Yorkshire Water	338	630	+1
Zeneca†	1,500	1169	

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are rounded.

CONTRACTS & TENDERS

هكذا من الأصل

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Oct 25 / Sch)

BELGIUM/LUXEMBOURG (Oct 25 / Frs.)

CZECH REP (Oct 25 / Koruna)

DENMARK (Oct 25 / Kr)

FINLAND (Oct 25 / Mka)

FRANCE (Oct 25 / Frs.)

GERMANY (Oct 25 / Dm.)

GREECE (Oct 25 / Drachma)

ITALY (Oct 25 / Lire)

NETHERLANDS (Oct 25 / Fls.)

NORWAY (Oct 25 / Kroner)

POLAND (Oct 25 / Zloty)

PORTUGAL (Oct 25 / Escudo)

SPAIN (Oct 25 / Pts.)

SWEDEN (Oct 25 / Kronor)

SWITZERLAND (Oct 25 / Frs.)

TURKEY (Oct 25 / TK Lira)

PACIFIC

JAPAN (Oct 25 / Yen)

AUSTRALIA (Oct 25 / Aus$)

HONG KONG (Oct 25 / H.K.$)

INDONESIA (Oct 25 / Rupiah)

MALAYSIA (Oct 25 / MYR)

NEW ZEALAND (Oct 25 / NZ $)

SINGAPORE (Oct 25 / S$)

SOUTH KOREA (Oct 25 / Won)

TAIWAN (Oct 24 / TW $)

THAILAND (Oct 25 / Baht)

NORTH AMERICA

CANADA

TORONTO (Oct 25 / Can $)

4 pm close

MONTREAL (Oct 25 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Oct 25 / Rand)

INDICES

	Oct 25	Oct 24	Oct 23	1995 High		1995 Low	
Argentina							
General (29/12/77)	(u)	13551.38	13409.96	18531.80	2/1	9831.88	9/3
Australia							
All Ordinaries(1/1/80)	2090.8	2080.0	2089.3	2188.00	18/9	1823.30	8/2
All Mining(1/1/80)	939.1	931.8	939.8	1029.50	7/8	795.30	8/2
Austria							
Credit Aktien(30/12/84)	332.82	330.65	328.64	385.42	2/1	328.64	23/10
Traded Index(2/1/91)	903.60	891.70	882.15	1058.31	2/1	882.15	23/10
Belgium							
BEL20 (1/1/91)	1423.58	1414.78	1408.82	1491.38	2/8	1271.53	9/3
Brazil							
Bovespa (29/12/83)	(u)	45282.0	45639.0	48612.80	19/9	4531.80	8/9
Canada							
Metals Minls♦(1975)	(u)	4520.92	4424.96	5252.77	21/8	3806.83	1/3
Composite♦ (1975)	(u)	4352.20	4315.50	4710.30	12/7	3891.41	30/1
Portfolio§§ (4/1/83)	(u)	2126.29	2096.69	2307.81	12/7	1953.38	30/1
Chile							
IGPA Gen(31/12/80)	(u)	5974.5	5944.6	6363.18	11/7	4576.98	9/3
Denmark							
CopenhagenSE(3/1/83)	358.05	356.40	357.60	376.44	25/8	330.01	29/3
Finland							
HEX General(28/12/90)	1934.71	1943.86	1898.63	2332.22	14/9	1555.30	29/3
France							
SBF 250 (31/12/90)	1176.60	1156.31	1155.11	1322.30	12/5	1154.41	13/3
CAC 40(31/12/87)	1764.12	1724.21	1721.14	2017.27	12/5	1721.14	23/10
Germany							
FAZ Aktien(31/12/58)	779.81	770.85	773.21	848.78	19/9	708.87	30/3
Commerzbank(1/12/53)	2258.1	2225.7	2233.8	2427.88	19/9	2018.70	30/3
DAX (30/12/87)‡	2150.13	2113.60	2107.42	2317.01	15/9	1910.96	28/3
Greece							
Athens SE(31/12/80)	936.91	938.95	938.82	992.59	4/8	787.15	16/3
Hong Kong							
Hang Seng(31/7/64)	9841.06	9775.66	9880.53	10032.93	17/10	6967.93	23/1
India							
BSE Sens.(1979)	(c)	3486.20	(c)	3932.88	2/1	3015.07	2/5
Indonesia							
Jakarta Comp.(10/8/82)	497.18	498.02	498.96	519.18	11/8	414.21	19/4
Ireland							
ISEQ Overall(4/1/88)	2111.40	2107.73	2114.07	2170.73	15/9	1813.59	23/1
Italy							
Banca Comm Ital (1972)	571.88	584.51	555.09	680.54	10/2	555.09	23/10
MIB General (2/1/95)	903.0	892.0	877.0	1078.00	10/2	877.00	23/10
Japan							
Nikkei 225 (16/5/49)	17970.81	18014.25	18156.24	19684.04	4/1	14485.41	3/7
Nikkei 300 (1/10/82)	268.74	269.85	271.40	288.16	4/1	222.28	13/6
Topix (4/1/68)	1433.56	1438.87	1445.16	1553.40	4/1	1193.16	13/6
2nd Section (4/1/68)	1887.74	1887.39	1887.97	2130.68	4/1	1441.80	13/6
Malaysia							
KLSE Comp.(4/4/86)	955.87	948.41	(c)	1085.94	5/6	848.87	24/1
Mexico							
IPC (Nov 1978)	(u)	2293.43	2285.40	2622.21	8/9	1447.52	27/2
Netherland							
CBS TtlRtnGen(End 83)	494.3	491.2	488.8	511.80	19/9	422.80	23/3
CBS All Shr (End 83)	299.6	297.7	295.2	311.10	15/9	268.20	23/3
New Zealand							
Cap. 40 (1/7/86)	2194.83	2187.85	(c)	2206.02	20/10	1901.43	5/1
Norway							
Oslo SE(Ind)(2/1/83)	1245.02	1240.76	1245.39	1292.16	18/10	1098.89	10/3
Philippines							
Manila Comp (2/1/85)	2544.06	2572.48	2585.17	2958.12	10/7	2248.39	27/3
Portugal							
BTA (1977)	2565.5	2578.3	2587.3	2811.90	9/1	2565.50	25/10
Singapore							
SES All-S'pore(2/4/75)	508.85	508.07†	(c)	535.68	5/1	472.80	23/1
South Africa							
JSE Gold (28/9/78)	1317.5	1341.7	1349.5	2023.00	2/1	1317.28	19/5
JSE Ind. (28/9/78)	7584.7	7464.1	7480.8	7584.70	25/10	6222.00	31/1
South Korea							
KoreaCompEx(4/1/80)	997.88	992.78	976.38	1027.37	2/1	847.09	27/5
Spain							
Madrid SE (30/12/85)	294.93	290.85	290.11	318.98	13/9	283.30	26/6
Sweden							
AffarsvardsGen (1/2/37)	1728.9	1741.5	1745.0	1872.10	19/9	1438.80	29/3
Switzerland							
Swiss Bk Ind (31/12/58)	1414.93	1409.90	1400.07	1437.89	18/10	1174.83	13/3
SBC General (1/4/87)	1063.58	1058.27	1050.13	1079.62	18/10	870.58	13/3
Taiwan							
WeightedPr.(30/6/66)	(c)	4995.79	4975.44	7051.49	5/1	4503.37	14/8
Thailand							
Bangkok SET (30/4/75)	1274.52	1276.08	(c)	1472.84	10/7	1135.69	16/3
Turkey							
Istanbul Comp.(Jan 1986)	47625.0	48202.3	48622.7	54853.90	21/4	24844.31	23/1
WORLD							
MS Capital Int (1/1/70)§	698.3*	698.5	699.1	703.80	29/9	596.21	23/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1373.87	1363.11	1352.04	1480.89	15/9	1222.41	13/3
Euro Top-100 (26/6/90)	1260.37	1247.40	1240.21	1316.68	15/9	1117.34	9/3
JCapelDrgns (31/12/88)	(u)	331.22	333.79	348.47	14/7	282.07	23/1
Barings Emerg.(7/1/92)	145.84	145.67	146.88	138.07	2/1	117.15	10/3

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ CAC-40 (200 x Index)							
Oct	1748.0	1764.0	+30.5	1766.0	1745.0	23,036	27,019
Nov	1755.5	1773.5	+30.5	1775.5	1754.5	3,866	9,434
■ DAX							
Dec	2139.0	2152.0	+26.0	2160.5	2139.0	24,894	-
Mar	2164.0	2173.0	+26.5	2180.0	2162.0	636	-
■ OMX							
Oct	1386.00	1364.00	-14.00	1390.00	1361.05	4,185	8,407
Nov	1395.00	1371.00	-16.75	1398.00	1370.50	2,170	8,736
■ SOFFEX							
Oct	3064.9	3078.0	+13.0	3100.0	3075.5	4,728	14,777
Nov	3090.5	3081.0	+51.8	3102.0	3090.5	62	1,637

** Sat Oct 21: Taiwan Weighted Price 4937.98; Korea Comp Ex 999.50 . Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 25 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Oct 25 = 2140.74 +25.88.

US INDICES

Dow Jones	Oct 24	Oct 23	Oct 20	1995 High	1995 Low	Since compilation High	Since compilation Low
Industrials	4783.66	4755.48	4794.86	4802.45 (19/10)	3832.08 (30/1)	4802.45 (19/10/95)	41.22 (2/7/32)
Home Bonds	103.61	103.64	103.82	104.84 (16/10)	93.63 (3/1)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1949.08	1903.09	1913.53	2000.39 (18/9)	1473.19 (3/1)	2000.39 (18/9/95)	12.32 (8/7/32)
Utilities	218.53	217.97	218.82	218.82 (20/10)	183.03 (3/1)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 4819.07 (4805.70) Low 4730.92 (4724.41) (Theoretical♦)
Day's high 4788.72 (4796.22) Low 4755.48 (4753.68) (Actual♦)

Standard and Poors	Oct 24	Oct 23	Oct 20	1995 High	1995 Low	Since compilation High	Since compilation Low
Composite ‡	586.54	585.06	587.46	590.65 (19/10)	459.11 (3/1)	590.65 (19/10/95)	4.40 (1/6/32)
Industrials	688.05	685.11	688.28	691.54 (19/10)	546.28 (3/1)	691.54 (19/10/95)	3.62 (21/6/32)
Financial	58.87	58.69	59.85	61.39 (18/10)	41.64 (3/1)	61.39 (18/10/95)	8.64 (1/10/74)
NYSE Comp.	312.80	312.32	313.83	315.39 (19/10)	250.73 (3/1)	315.39 (19/10/95)	4.46 (25/4/42)
Amex Mkt Val	524.91	525.16	531.57	553.58 (12/9)	433.12 (6/1)	553.58 (12/9/95)	28.31 (9/12/72)
NASDAQ Cmp	1039.24	1036.92	1039.53	1067.40 (13/9)	743.58 (3/1)	1067.40 (13/9/95)	54.87 (31/10/72)

■ RATIOS

	Oct 20	Oct 13	Oct 6	Year ago
Dow Jones Ind. Div. Yield	2.42	2.42	2.43	2.72
	Oct 11	Oct 4	Sep 27	Year ago
S & P Ind. Div. yield	2.09	2.08	2.07	2.43
S & P Ind. P/E ratio	17.74	17.87	17.94	20.33

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Intmle Brnds	15,401,600	17¾	+¼
RJR Nabisco	14,919,300	29¼	-2⅝
Gucci Grp	10,623,700	28¾	+4⅛
Micron	4,842,700	71⅛	-2⅛
Amer Gen	3,572,500	35¾	-3⅛
Nien Thomas	3,282,400	15⅞	-8⅛
IBM	3,110,700	98	-⅞
Utd Hlthcare	3,081,100	54½	+3¼
Motorola	3,066,200	65¼	....
WalMart	3,055,200	22½	-⅛

■ TRADING ACTIVITY

● Volume (million)	Oct 24	Oct 23	Oct 20
New York SE	415.402	329.725	380.127
Amex	25.087	19.571	18.555
NASDAQ	482.844	400.405	449.435
NYSE			
Issues Traded	3,030	3,032	3,019
Rises	1,101	779	929
Falls	1,158	1,517	1,322
Unchanged	773	736	768
New Highs	134	85	138
New Lows	77	68	50

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
■ S&P 500							
Dec	589.15	585.55	-3.70	590.50	584.85	60,167	190,410
Mar	595.05	590.40	-3.40	595.15	589.70	208	10,131

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
■ Nikkei 225							
Dec	18070.0	18200.0	+40.0	18100.0	15987.0	15,987	158,111
Mar	18130.0	18240.0	+60.0	18130.0	18010.0	8	5,089

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Wednesday, October 25, 1995.

	Stocks Traded	Closing Prices	Change on day
Tokuyama	7.0m	798	+14
Nitto Chem Ind	5.0m	1,250	+110
Sumitomo Bakelite	3.8m	840	+2
Komatsu Zenoah	3.8m	726	+56
Mitsubishi Hvy	3.6m	783	
Toshiba Corp	3.3m	757	+2
Nikon Corp	3.2m	1,450	+20
Oki Elect Ind	3.0m	959	-14
Ricoh Co	2.8m	1,090	+10
Daiwa Bank	2.7m	622	-28

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995, except Toronto & Montreal (daily). § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
19	12¼	AAR	0.48	2.8	23	49	17½	17⅜	17⅜	
46¼	35	AMP	0.92	2.3	20	6374	40	39	39⅞	
80¼	53⅞	AMR			15	9685	66½	65⅜	68¼	-⅝
47⅞	39⅛	ASA	1.71	4.4	25	622	39½	d39⅛	39¼	+1
44¾	30¾	AbbtL x	0.84	2.1	19	16657	40⅝	40	40¼	-⅛
18⅞	12	Abitibi Pr	0.40	2.5	18	5276	16⅞	16¼	16¼	-⅛
27⅞	21	ABM Ind	0.60	2.2	14	14	26⅞	26¾	26¾	-⅝
17½	13½	Acptncsln			10	771	15⅛	14⅞	15	-¼
35⅞	21⅞	ACE Ltd	0.56	1.6	8	639	34⅞	34⅝	34¾	-⅛
9⅞	8⅛	ACM Gvt In	0.90	9.5	8	258	9⅝	9½	9½	
7¾	6½	ACM GvOpp	0.65	8.8		179	7½	7⅜	7½	-⅛
7½	5¾	ACM Gvt Sp	0.75	10.9		162	7	6⅞	6⅞	+⅛
8¾	7¼	ACM Gvt Se	0.90	10.3		111	8¾	8⅝	8¾	-⅛
9½	7⅝	ACM Man	0.90	10.6		205	8⅝	8½	8½	
29¼	10¼	AcmeClv	0.48	2.0	11	44	24⅞	23¾	23¾	-⅛
38¾	8¼	Acme Elec			78	279	9½	9¼	9⅜	-⅝
34½	23⅜	Acordia	0.72	2.8	12	143	26¼	26	26⅛	
18½	8⅝	Actava	0.36	2.0	13	1121	18⅛	17¾	17¾	+⅛
16¾	10⅛	Acuson			30	826	12⅞	11⅝	11⅝	-½
18⅞	15⅝	Adams Expr	0.48	2.8	6	49	u18⅞	18¾	18¾	-¼
38⅞	24⅝	AdvMic			8	15966	26	25⅛	25½	
9½	5	Advest Grp	0.16	1.7	16	103	9⅞	9¼	9¼	-¼
25¼	16½	Advo Inc	0.10	0.4	20	255	25⅞	24¾	24¾	-⅛
38½	24	60 Aegon	1.36	3.4	21	49	38¼	38⅛	38¼	-⅝
5⅞	3⅛	Aeroflx			6	569	4¾	4⅝	4⅝	+⅛
75½	46⅜	AetnaL x	2.76	4.0	50	12328	69	67		-⅛
44¾	31⅞	Aflac	[illegible]							

[illegible]

4 pm close October 25

NYSE COMPOSITE PRICES

1995 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
Continued from previous page										
26¾	20½	Scana Corp	1.44	5.8	18	1259	u25¾	25½	25½	-⅛
18	14½	Scecrp	1.00	5.7	10	3191	17½	17¼	17½	+⅛
11¼	7	SchawkA	0.26	3.5	13	25	7½	7⅜	7⅜	-⅛
50¼	37¼	SchererRP			24	1478	46¼	46	46¼	
55	35½	SchrPl	1.16	2.1	19	11113	u55⅝	54	54⅞	-¼
68⅝	50⅛	Schlmb	1.50	2.4	23	8258	63½	61⅝	62½	+⅞
29	11¼	Schwab(C)	0.16	0.7	25	3164	24⅞	23⅝	23¾	-⅜
24⅞	11½	SciAtl	0.06	0.5	13	9131	11⅞	d11⅜	11½	-¼
20	15⅛	Scotman	0.10	0.6	10	383	16½	16¼	16¼	-⅛
52⅞	33½	ScottP	0.40	0.8	15	9335	u54⅛	52⅞	53½	+⅜
36¼	26⅞	Scripps	0.52	1.5	23	271	35	34⅜	34⅜	-½
21½	14⅜	ScuddrNAsF	0.02	0.1		54	15	14⅞	15	
11⅝	8⅝	ScuddrNEuF x	0.16	1.5		534	10¾	10½	10⅝	-⅛
20	13⅜	SeaCnB	0.70	3.8	1	16	18⅞	18½	18½	-½
16¼	14⅝	SeaC1.4625	1.46	9.2		4	15⅞	15⅞	15⅞	
49⅜	23⅝	S'gate			9	3770	47	45⅛	45½	-1½
38⅛	25⅝	Seagrm	0.60	1.7	24	3242	35⅝	34¾	35¼	-⅛
22½	15¼	Seagull En			10	1402	17½	17¼	17⅜	
28¼	18	Sealed Air			22	558	25¾	24¾	24¾	-1
37⅝	30⅜	SearsR	0.92	2.7	8	6887	34⅞	34⅛	34¼	-⅜
19¾	16⅜	SecCapSBI	1.15	6.2	22	271	18⅝	18⅜	18⅝	+⅛
12⅜	10⅜	Seligm Sel x	0.84	6.9		19	12¼	12⅛	12⅛	
38¼	20¼	Sensormat	0.22	1.0	21	4131	22½	21½	21½	-⅝
31¾	21⅞	SequaA	0.60	2.3	7	9	25⅞	25½	25⅝	-¼
35⅛	23	SequaB	0.50	1.6	16	25	31½	31½	31½	
40⅞	28¼	ServCp	0.44	1.1	23	4756	39⅝	38¾	39	-½
28⅞	21½	SvMstr x	0.96	3.4	14	84	28⅛	27¾	28⅛	
7⅞	4⅛	ServMerch			9	2190	5⅜	5¼	5¼	
57½	22½	SGSThm			53	1714	46¼	44	44¼	-1¾
17⅞	12	Shaw Ind	0.30	2.3	14	3671	13¼	12¾	13⅛	+⅜
38¾	16½	Shawmut Nt	0.88	2.5	12	6183	35¾	34⅛	34⅞	-½
13⅝	7⅝	Shelby Wll	0.28	2.2	44	56	12⅝	12⅜	12½	-¼
75⅝	64¼	ShellTr	2.88	4.1	16	142	70⅞	70½	70⅝	
38	32	SherW	0.64	1.8	15	3118	36¼	35¾	35¾	-½
13½	8⅞	Shoneys			11	1103	10⅛	9⅞	10	-⅛
24⅝	13½	Showboat	0.10	0.5	24	207	22	21⅝	21¾	+⅛
23⅞	18½	Sierra Pac	1.12	4.8	12	379	23½	23¼	23½	+¼
8⅛	5¼	SignalApp			1	z100	6⅜	6⅜	6⅜	
36⅝	17⅝	Signet Bnk	0.68	2.9	11	3107	24½	23⅜	23⅝	-⅞
45⅝	28½	SiliconGr			25	12185	34¼	32¼	32⅝	-1½
11⅜	9⅛	Sizeler	1.12	11.9	24	76	9⅝	9⅜	9⅜	-⅛
7⅛	3¾	Sizzler	0.16	4.1	24	5479	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

NASDAQ NATIONAL MARKET

4 pm close October 25

[illegible]

AMEX COMPOSITE PRICES

4 pm close October 25

[illegible]

AMERICA

Weakness in Du Pont, tech stocks hit indices

Wall Street

Worries about the state of the global economy and some profit-taking in the financial and technology sectors combined yesterday to send US shares lower in early trading, *writes Lisa Bransten in New York*.

At 1 pm the Dow Jones Industrial Average was 43.27 lower at 4,741.39. The Standard & Poor's 500 was off 4.08 at 582.48 and the American Stock Exchange composite declined 2.56 to 522.35. Volume on the New York SE came to 257m shares.

Mr Anthony Conroy, head of equity trading at Bankers Trust, attributed the market's movement to some profit-taking, and said that he did not expect a larger correction in the near term. "The overhang of a possible interest rate cut does put a certain floor on this market," he said. "It does seem like we are stuck in a trading range until some major news comes out."

Du Pont, the US chemicals group, sparked fears about global economic weakness after company officials said that slower economic growth had caused flat volume growth in the third quarter.

The company, a component of the Dow, reported earnings per share of $1.38 for the third quarter, 8 cents ahead of analysts' estimates, but about 12 cents of those earnings came from one-off charges. By early afternoon the company's shares were down 6.5 per cent or $4¾ at $60⅝.

Technology shares were also hit by profit-taking that led the Nasdaq composite to fall 10.54 to 1,028.70. The Pacific Stock Exchange technology index shed 1.3 per cent.

Among active movers, Microsoft slipped $⅞ to $96⅞, Intel was $⅝ lower at $67⅛ and Hewlett-Packard receded $1¼ to $89⅝. Profit-taking also led to declines in the financial sector, which had led the market higher for much of this month. Chemical Bank retreated $1⅛ to $55⅞, Citicorp was $1⅞ cheaper at $64½ and Mellon Bank dipped $1¼ to $49⅝.

Canada

Toronto followed New York and hit the downgrade again, the TSE 300 composite index losing 23.09 to 4,329.10 by 1 pm after an early rise to 4,370.61.

The financial services sector dropped 43.86 or 1.3 per cent to 3,307.35.

Banks were among the most active stocks, Royal Bank relinquishing C$⅛ at C$28⅝ and Canadian Imperial slipping C$⅛ to C$34⅞.

Cott Corp, the soft drinks bottler, rose C$⅜ to C$11¼ after Donaldson, Lufkin and Jenrette upgraded its rating from market perform to outperform. But Memotech Communications plummeted C$2¼ to C$7⅞ after it reported a third quarter net loss.

SOUTH AFRICA

Industrials staged a modest technical recovery, but gold issues continued to suffer from negative sentiment. Dealers said the trading pattern remained volatile and it was difficult to forecast which way the market would move over the rest of the week. The overall index rose 37.6 to 5,858.3. Industrials gained 124.0 at 7,588.1 and the gold shares index declined 24.2 to 1,317.5.

EUROPE

News-based gains in German blue chips

A combination of good corporate news and gains in the dollar and on Wall Street overnight helped FRANKFURT's Dax index break 2,150, before easing to close 25.86 or 1.2 per cent ahead at 2,140.74. Turnover increased from DM6.5bn to DM7.2bn.

The dollar and Wall Street helped lift SAP prefs by DM10 or 5.1 per cent to DM206.50. Three news-based gains followed: Merck said that it would start producing and selling liquid crystal display products in alliance with Du Pont, of the US, and rose DM1.70 to DM58; Preussag put on DM11.50 to DM409.50 on the prospect of a dividend rise; and Lufthansa closed DM4.20 stronger at DM191.70 on higher passenger and cargo traffic at the nine-month stage.

In retailing, speculation took Kaufhof and Asko up DM8 to DM465.50, and DM16 to DM756, ahead of today's conference to discuss the merger with the cash and carry operation of their parent, Metro. In banking, however, the third-quarter season started unhappily, with Depfa, the mortgage bank, DM3 lower at DM57.50 as bad debt provisions came in higher than expected.

PARIS was supported by an easing in currency markets as the franc stabilised against the D-Mark. This led to the conclusion that the central bank would resist pressure to raise interest rates today, and on the first day of the new account the CAC-40 index rose 39.91 or 2.3 per cent to 1,764.12.

Havas was suspended at FFr521.70 pending a statement, which came after the close of trading, that Alcatel Alsthom, up FFr15.50 at FFr420.00, was to take a 21.2 per cent stake in the media group. Alcatel also said that Havas would acquire its publishing activities. An initial reaction from a London-based analyst was that the news was probably good for both parties.

Rhône-Poulenc made a strong showing after releasing third-quarter results which pleased the market. The shares closed FFr2.40 up at FFr102.40.

Crédit Lyonnais featured among the session's best performers, with the narrowly traded investment certificates up FFr22.40 or 9.8 per cent at FFr250.00. Mr Jim Hyde, banking analyst at Williams de Broë, commented that activity had been generated on news that the group was making progress in disposing of some of its Latin American assets.

MILAN had two preoccupations: the continuing debate of no confidence in the government that most observers believed would end the administration of Mr Lamberto Dini, the prime minister; and yet more volatile trading in Ferruzzi Finanziaria. The Mibtel index rose 0.4 per cent to 9,090 and the Comit gained 7.37 or 1.3 per cent at 571.88.

Trading in Ferruzzi was suspended a number of times during the session, as the rise in the share price exceeded set limits. The stock closed 14.4 per cent up at L1,212. There were rumours and counter-rumours that a bid would be launched for the holding company. San Paolo do Torino, up L277 at L8,450 and the largest shareholder in Ferfin, said it would not launch a bid itself; but some analysts believed that it might take part in a consortium bid. Montedison, the industrial group controlled by Ferfin, lost L5 to L1,060.

AMSTERDAM built on Tuesday's gain, although many investors were taking a watching brief ahead of today's third-quarter results from Philips, down 40 cents at Fl 68.30. Expectations were that the electronics group would see a healthy rise in income, with profits forecast to grow to Fl 590m from the Fl 455m of the same 1994 period.

The AEX index added 2.67 or 0.6 per cent at 455.23.

Tulip Computers, another high-tech company, had a better day, rising Fl 1.00 or 5.7 per cent to Fl 18.40 as it announced expansion plans in both China and India.

ZURICH's recovery, with the SMI index rising another 16.9 to 3,078.9, took in a further gain of SFr14 to SFr955 for Sandoz ahead of today's nine-month sales figures. But it was marred by rumours that Nestlé had plans to take over Cadbury Schweppes. Nestlé denied the stories, but its registered shares lost SFr12 at SFr1,136.

MADRID seemed unperturbed by parliament's decision to throw out the government's state budget for 1996. Bonds and the peseta rose, and equities did likewise, the general index ending 4.08 or 1.4 per cent higher at 294.93. Strong points in interest rate-sensitive stocks included Endesa in utilities, up Pta180 or 3.1 per cent at Pta5,980, and Argentaria in banks, Pta115 or 2.6 per cent better at Pta4,470.

VIENNA continued its general recovery, the ATX index adding 11.9 or 1.3 per cent at 903.60, but it still had specific problems. The construction group Maculan denied that it was in danger of insolvency after press reports of bigger than expected east German losses. The shares were offered at Sch198, down Sch21 or 10 per cent, but there were no buyers at this price.

STOCKHOLM looked at the recent appreciation of the Swedish krona, deduced that this would be bad for cyclicals and marked a number down to year lows, including Electrolux and SSAB, both off SKr2.50 at SKr286.50 and SKr64.50 respectively. The Affärsvärlden General index, a European leader this year, stayed in reverse with a fall of 12.6 to 1,728.9.

Written and edited by William Cochrane and John Pitt

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

Oct 25 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1374.05	1375.19	1377.32	1378.85	1379.55	1377.58	1374.23	1373.87
FT-SE Eurotrack 200	1500.46	1500.69	1503.61	1504.67	1503.04	1503.33	1498.80	1499.02

	Oct 24	Oct 23	Oct 20	Oct 19	Oct 18
FT-SE Eurotrack 100	1363.11	1352.04	1380.47	1399.54	1412.52
FT-SE Eurotrack 200	1490.81	1479.98	1500.56	1516.67	1531.34

Base 1000 (26/10/90); High/day: 100 - 1380.12; 200 - 1505.87 Low/day: 100 - 1373.40 200 - 1497.54 † Partial

Latin American bourses decline

Mexico City failed to hold on to early gains as profits were taken, and by midsession the IPC index was off 51.26 or 2.2 per cent at 2,242.17. Earlier the market had risen above the 2,300 level.

Telmex L shares were slightly lower on profit-taking following the group's third-quarter results which were announced on Tuesday.

SAO PAULO was also weaker at midday, in low volume, as investors worried about a proposal to place a tax on stock market investments which lasted for less than six months.

The Bovespa index was down 1,373 or 3 per cent at 43,909. Telebras shares were trading 1.8 per cent off at R$42.90 by noon.

BUENOS AIRES was another casualty as the Merval index dived by 3.4 per cent or 9.92 points to 401.56 during late morning trade.

Technical analysts said that the index was now drifting towards a new short term floor of 400, but might not find more lasting support until the 380 level.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms October 20 1995	Dollar terms % Change over week	Dollar terms % Change on Dec '94	Local currency terms October 20 1995	Local currency terms % Change over week	Local currency terms % Change on Dec '94
Latin America	(252)	483.12	+1.3	-16.7			
Argentina	(30)	674.18	-0.5	-8.2	413,600.64	-0.5	-8.2
Brazil	(72)	340.11	+1.9	-11.5	1,223.16	+2.3	+0.4
Chile	(36)	738.93	-0.3	-5.8	1,213.57	+1.1	-3.7
Colombia[1]	(16)	600.05	+2.0	-26.1	1,050.62	+2.3	-12.1
Mexico	(67)	443.54	+1.1	-27.0	1,277.46	+0.5	-1.1
Peru[2]	(19)	197.10	+1.5	+10.5	272.07	+1.5	+14.4
Venezuela[3]	(12)	543.47	+4.1	+9.8	2,121.15	+4.1	+9.7
Asia	(677)	234.33	-0.8	-6.1			
China[4]	(20)	65.94	+0.5	-13.1	69.25	+0.5	-14.5
South Korea[5]	(159)	143.36	-1.7	+4.8	144.51	-1.9	+1.9
Philippines	(25)	260.45	-1.1	-12.6	326.26	-1.2	-7.1
Taiwan, China[6]	(93)	109.41	-3.6	-33.5	110.82	-3.3	-31.7
India[7]	(101)	89.18	-6.0	-27.8	112.70	-2.4	-18.1
Indonesia[8]	(42)	112.36	+2.6	+12.6	138.62	+3.0	+16.4
Malaysia	(114)	264.61	+0.6	-1.6	246.62	-0.1	-2.6
Pakistan[9]	(36)	267.94	-4.1	-26.8	386.04	-3.7	-24.5
Sri Lanka[10]	(19)	106.97	+0.1	-37.8	121.40	+0.5	-34.5
Thailand	(68)	380.73	-2.1	-0.7	379.20	-2.2	-0.8
Euro/Mid East	(209)	140.29	+2.1	+18.4			
Greece	(40)	254.91	+4.6	+13.0	397.72	+3.1	+8.2
Hungary[11]	(5)	121.09	+3.3	-20.2	189.91	+2.5	-8.1
Jordan	(8)	186.22	+1.8	+24.1	279.58	+1.8	+25.8
Poland[12]	(16)	441.98	+1.4	-5.8	677.63	+0.8	-5.9
Portugal	(27)	120.31	+1.9	-0.6	122.24	+0.3	-7.7
South Africa[13]	(64)	243.75	+0.8	+8.5	183.39	+0.4	-3.0
Turkey[14]	(44)	149.59	+12.5	+22.9	3,548.45	+11.9	+60.4
Zimbabwe[15]	(5)	262.46	-0.0	+7.3	349.56	+0.9	+16.0
Composite	(1138)	277.83	+0.7	-9.6			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Aug 4 1989; (15)June 2 1993.

The Argentine equity market suffered a setback on Monday, with investors unwilling to respond to a speech given by Mr Carlos Menem, the country's president, in New York, *writes John Pitt*. According to Mr Geoffrey Dennis of Bear Stearns, the speech failed "to energise investors over several key current issues, and consequently provided little new incentive for investors to go out and buy".

One of the problems faced by the market is the fate of Mr Domingo Cavallo, the economy minister. On Monday President Menem made no outward endorsement of his minister, who was absent from the meeting, and this fact also disappointed the investment community, says Mr Dennis.

"We are increasingly worried over the immediate prospects for the market, given the disappointment over the delay to the economic recovery, the absence of any new policy initiatives from the government and the almost total lack of current interest on behalf of investors," he adds.

GT Management, in a nine-month assessment of the Latin American markets, comments that, with the exception of Mexico, Argentina has experienced "the most severe and long term effects from the Mexican peso crisis. While aggregate earnings grew by 25 per cent in 1994, they are expected to increase by only 10 per cent this year. By contrast, corporate earnings rises of about 25 to 30 per cent are expected to buoy stock prices in Brazil, Chile and Peru."

● In Caracas, the market has been facing some profit-taking following impressive gains earlier in the month. Stocks had climbed by more than 30 per cent between October 6 and 19 on expectations that the government would adopt an IMF-sponsored programme of economic reforms. However, the consensus current among analysts is that an agreement with the IMF is now unlikely before next year.

ASIA PACIFIC

Nikkei eases below 18,000 support level

Tokyo

Share prices saw support as the dollar remained above the Y100 level, but the Nikkei average finally eased below 18,000 on profit-taking by domestic institutions, *writes Emiko Terazono in Tokyo*.

The 225-share index lost 43.44 at 17,970.81 after moving between 17,944.90 and 18,048.62. Large-capital, high-technology stocks were shunned in advance of today's spate of scheduled interim reports.

Volume amounted to 290m shares, against 347m. The Topix index of all first section stocks shed 5.21 to 1,433.66 and the Nikkei 300 slipped 1.11 to 268.74. Declines outscored advances by 544 to 417, with 235 issues unchanged. In London the ISE/Nikkei 50 index rose 6.13 to 1,224.53.

High-technology companies were expected to produce strong figures today; but investors stayed on the sidelines and one Japanese broker said it might take a strong rally on Wall Street to produce a new round of buying in the sector.

Bank shares were weak on foreign selling. Investors were discouraged by reports that the "Japan premium", or the extra funding cost which Japanese banks needed to pay for overseas capital, had widened sharply. Financial authorities and analysts feared that the problem would persist until the end of the year, when funding costs tend to rise sharply due to year-end settlements and corporate bonus payments.

Daiwa Bank dropped Y28 to Y622 on heavy selling triggered by reports that it had been barred from managing funds of a pension fund association. Sumitomo Bank fell Y20 to Y1,860 and Mitsubishi Bank declined Y20 to Y2,070.

Car makers retreated 1 per cent, led by Nissan Motors, down Y29 at Y726 on reports that the research arm of Yamaichi Securities had downgraded ratings of both Toyota and Nissan. Toyota dipped Y10 to Y1,890 and Hino Motors weakened Y25 to Y780.

Tokuyama, the chemicals manufacturer which supplies silicon to chip makers, was the most active issue of the day, rising Y14 to Y798. Nitto Chemical jumped Y110 to Y1,250.

In Osaka, the OSE average was off 96.74 to 19,420.73 in volume of 54.9m shares.

Roundup

Investors in SEOUL continued to have second thoughts about the political slush fund scandal. Buyers came in for blue chips and technology stocks seen as undervalued, and the composite index closed 5.13 higher at 997.88.

LG Electronics was the most active stock, rising Won700 to Won31,900, and Samsung Electronics put on Won6,000 to a 1995 high of Won176,000.

Korea Airlines hit a 1995 peak shortly before closing after an unidentified institution made a large block trade. The stock finished at the day's limit high of Won28,900, up Won1,600.

SYDNEY was lifted by an improvement in metals prices, but a higher than expected domestic September inflation figure of 5.1 per cent year-on-year limited the gains.

The All Ordinaries index rose 10.8 to 2,090.80, below an intra-day high of 2,092.90. Turnover came to A$510m in volume of 317.7m shares.

CRA made 12 cents to A$2.38 as it announced that it had renewed two three-year iron ore contracts worth A$750m with a Japanese steel mill.

HONG KONG made steady progress in spite of further selling pressure in Cathay Pacific Airways, which ended 15 cents off at HK$11.45.

The Hang Seng index was ahead 65.40 at 9,841.06, after dipping to a day's low of 9,792.21 in the early afternoon. Turnover rose to HK$3.4bn from Tuesday's HK$2.6bn.

KARACHI saw a rally in textile issues and the KSE 100-share index advanced 26.70 or 1.7 per cent to 1,591.02. The demand for textile shares came after prices for raw cotton fell sharply owing to a bigger than expected crop.

SHENZHEN A shares surged following news that the country's main securities regulator was to issue new regulations aimed at minimising the risks in domestic commodities futures trading and halting market manipulation. The A index jumped 5.99 or 4.2 per cent to 148.41 as turnover expanded to Yn1.4bn from Tuesday's Yn573m.

The B share index, reserved for foreign investors, declined 0.38 to 72.28 as turnover shrank to HK$8.6m from the previous day's HK$14.3m.

MANILA tumbled at the close, the composite index losing 28.43 or 1.1 per cent as foreign investors sold blue chips due to uncertainties over the October inflation figures, interest rates and third-quarter corporate earnings.

SINGAPORE enjoyed selective buying of blue chips and the Straits Times Industrial index finished 15.14 stronger at 2,104.58.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY OCTOBER 24 1995 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY OCTOBER 23 1995 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (82)	179.77	-0.6	168.53	113.84	129.64	160.15	-0.3	4.05	180.77	169.52	113.92	130.18	160.68	191.01	157.95	171.71
Austria (27)	170.56	0.6	159.89	108.00	122.99	122.94	0.8	1.36	169.52	158.97	106.83	122.07	122.02	199.28	167.48	182.25
Belgium (35)	195.36	0.1	183.14	123.71	140.87	137.47	0.2	3.81	195.19	183.03	123.00	140.55	137.14	201.12	164.78	170.66
Brazil (28)	147.62	-0.9	138.38	93.47	106.44	261.20	-0.9	1.63	149.00	139.72	93.90	107.29	263.59	-	-	-
Canada (100)	135.44	1.0	126.97	85.76	97.66	134.39	1.1	2.73	134.14	125.79	84.53	96.59	132.91	150.83	121.81	136.23
Denmark (33)	284.00	-0.1	266.23	179.83	204.79	208.25	-0.1	1.56	284.32	266.61	179.17	204.73	208.47	295.99	236.61	258.80
Finland (25)	232.84	3.2	218.28	147.44	167.90	204.93	3.1	1.56	225.67	211.62	142.21	162.50	198.71	276.11	171.13	200.40
France (100)	168.41	0.4	157.87	106.64	121.43	128.75	0.1	3.41	167.76	157.31	105.72	120.80	128.58	191.17	157.79	167.18
Germany (59)	158.50	0.1	148.58	100.37	114.29	114.29	0.3	2.09	158.28	148.42	99.74	113.97	113.97	167.74	135.39	143.60
Hong Kong (55)	376.66	-1.2	353.10	238.51	271.61	373.91	-1.2	3.89	381.24	357.51	240.26	274.54	378.43	391.00	277.40	380.03
Ireland (16)	245.51	-0.2	230.16	155.47	177.04	213.03	-0.4	3.54	246.04	230.72	155.05	177.17	213.86	250.55	195.34	207.50
Italy (58)	68.52	1.7	64.23	43.39	49.41	82.72	1.7	1.84	67.37	63.18	42.46	48.52	81.33	82.71	65.45	78.66
Japan (483)	145.37	-1.0	136.27	92.05	104.82	92.05	-0.5	0.83	146.78	137.64	92.50	105.70	92.50	164.82	136.95	162.48
Malaysia (108)	468.29	-1.1	438.99	296.53	337.68	454.89	-0.9	1.81	473.69	444.19	298.51	341.10	458.30	561.96	398.16	547.81
Mexico (18)	982.67	-0.4	921.19	622.24	708.58	7262.92	0.9	1.91	986.48	925.06	621.66	710.36	7199.44	2223.29	647.81	2223.29
Netherland (19)	257.89	0.3	241.76	163.30	185.96	182.90	0.5	3.57	257.13	241.13	162.04	185.17	182.04	263.99	207.60	216.64
New Zealand (14)	81.95	-1.1	76.82	51.89	59.09	66.01	-0.8	4.32	82.82	77.66	52.19	59.64	66.51	85.49	69.56	73.94
Norway (33)	234.75	-0.6	220.06	148.65	169.27	196.14	-0.6	2.14	236.19	221.48	148.84	170.08	197.27	243.79	192.92	208.00
Singapore (44)	368.29	-1.4	345.26	233.21	265.58	240.07	-1.2	1.71	373.39	350.13	235.30	268.87	243.09	414.26	313.94	399.01
South Africa (45)	363.70	-0.5	340.95	230.30	262.26	288.90	-0.5	4.04	365.49	342.73	230.33	263.19	290.33	368.62	281.06	339.55
Spain (38)	145.95	0.1	136.82	92.42	105.24	133.46	0.2	4.23	145.87	136.79	91.93	105.04	133.17	160.51	124.10	141.44
Sweden (48)	315.30	0.8	295.58	199.68	227.37	310.06	0.0	1.93	312.82	293.34	197.13	225.26	310.04	320.43	225.80	241.37
Switzerland (41)	222.10	0.5	208.20	140.64	160.15	155.61	0.9	1.71	220.96	207.20	139.24	159.11	154.26	223.54	158.38	168.30
Thailand (46)	162.98	-0.2	152.78	103.20	117.52	158.51	-0.2	2.57	163.33	153.16	102.93	117.62	158.86	-	-	-
United Kingdom (206)	225.47	0.1	211.36	142.77	162.59	211.36	0.1	4.05	225.25	211.22	141.95	162.21	211.22	227.31	187.07	200.64
USA (503)	240.38	0.2	225.34	152.22	173.34	240.38	0.2	2.45	239.91	224.97	151.18	172.76	239.91	242.04	182.33	189.11
Americas (649)	216.93	0.2	205.23	138.63	157.86	183.85	0.2	2.45	218.47	204.87	137.68	157.32	183.44	-	-	-
Europe (738)	193.37	0.3	181.28	122.45	139.44	160.82	0.3	3.13	192.75	180.74	121.47	138.79	160.30	199.02	163.04	172.84
Nordic (139)	286.03	0.9	268.14	181.12	206.25	239.75	0.4	1.83	283.60	265.94	178.72	204.22	238.79	295.02	215.79	233.91
Pacific Basin (832)	155.61	-1.0	145.88	98.54	112.21	102.34	-0.6	1.27	157.13	147.35	99.02	113.15	102.90	173.52	145.93	171.67
Euro-Pacific (1570)	171.25	-0.4	160.54	108.44	123.49	124.48	-0.1	2.15	171.87	161.17	108.31	123.76	124.65	178.33	154.73	172.04
North America (603)	233.90	0.2	219.27	148.11	168.66	233.32	0.2	2.46	233.37	218.84	147.07	168.05	232.78	235.91	178.86	184.88
Europe Ex. UK (532)	172.14	0.5	161.37	109.00	124.12	133.63	0.5	2.60	171.35	160.68	107.98	123.39	133.19	179.46	146.45	154.23
Pacific Ex. Japan (349)	253.44	-1.0	237.59	160.48	182.76	222.66	-0.8	3.29	255.95	240.01	161.30	184.31	224.54	266.72	211.19	261.41
World Ex. US (1761)	172.05	-0.3	161.28	108.94	124.06	127.86	-0.1	2.20	172.63	161.88	108.79	124.31	128.11	178.73	155.42	174.06
World Ex. UK (2058)	189.86	-0.1	177.98	120.22	136.90	155.36	-0.0	2.10	190.15	178.31	119.83	135.93	155.36	191.32	163.46	175.47
World Ex. Japan (1781)	219.66	0.1	205.92	139.10	158.40	203.84	0.2	2.78	219.33	205.67	138.22	157.94	203.49	221.43	178.85	187.89
The World Index (2264)	192.97	-0.1	180.90	122.19	139.15	160.26	0.0	2.30	193.22	181.19	121.76	139.14	160.25	194.25	165.92	177.69

Latest prices were unavailable for this edition.

هكذا من الأصل

BY THE MID 1970's it was apparent that the vision which led Grånges to become Sweden's largest company would not lead us into the next century. So we started over again. We reinvented Grånges from the ground up. Think about the possibilities. If you could start a major new international industrial company – what would you do?

First, you would look into the future and evaluate society's future needs. After all, it's these needs which define opportunity. You would soon realise that what people really want is a more meaningful life – achieved without compromising the Earth's resources.

Addressing that market would be a matter not only of advancing, but also of preserving. And since nobody knows everything, you would need to join forces with people and companies representing different skills but similar ideals.

You would say to the car manufacturer, "You focus on the finished car, I'll develop lighter, recyclable components."

To the freight company you would say, "You take care of the transportation, I'll work out a way to reduce energy consumption."

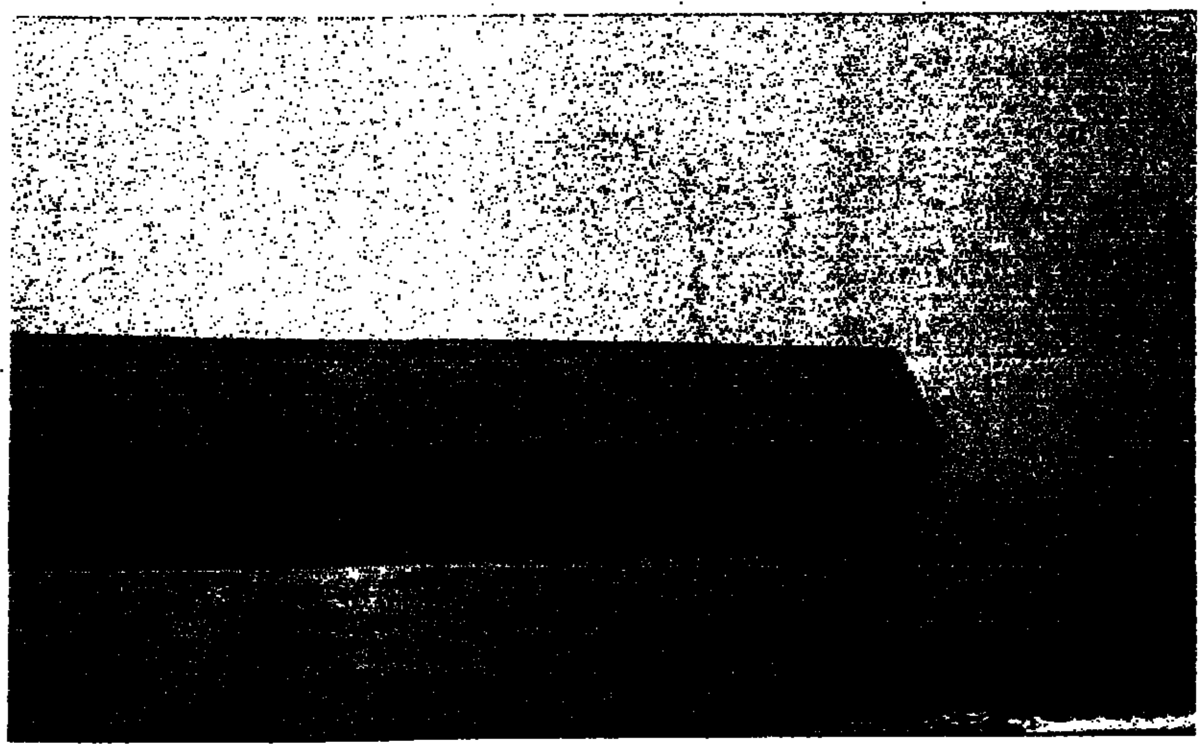
"You improve the quality of food, beverages and medicine, I'll make sure the products can be packaged to last longer."

"You build, I'll develop the materials." And so on.

In area after area, you would work together with like-minded business partners. You would seek out techniques and materials that work better, are friendlier to the environment, and cost less. Ultimately, you would help shape a new manufacturing paradigm in which products are not simply created, used and then destroyed, but rather are carefully planned from the start to be recycled.

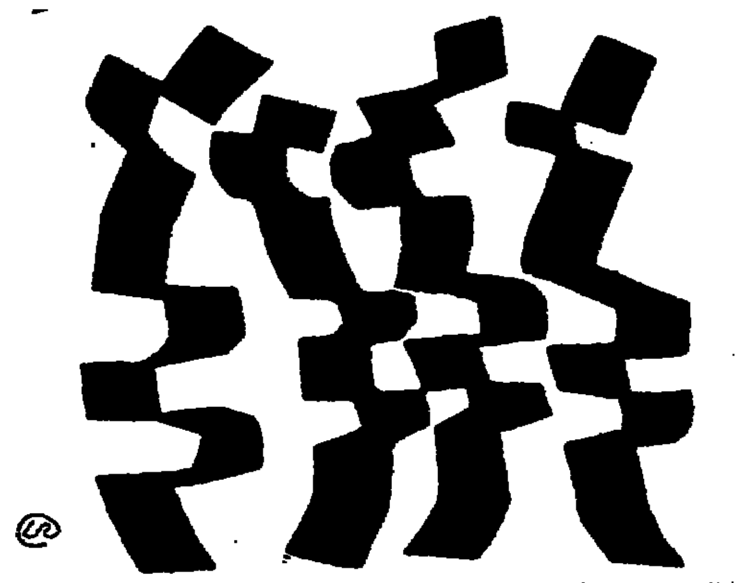
It is this vision which guides the Grånges Group today. The Group consists of a number of diverse companies generating an annual turnover of around £1 billion. These companies work in close partnership with thousands of engineering, building and packaging companies worldwide. Together they are developing methods and materials which both improve lives and save resources.

Not a bad start, for a company that's a 100 years old.

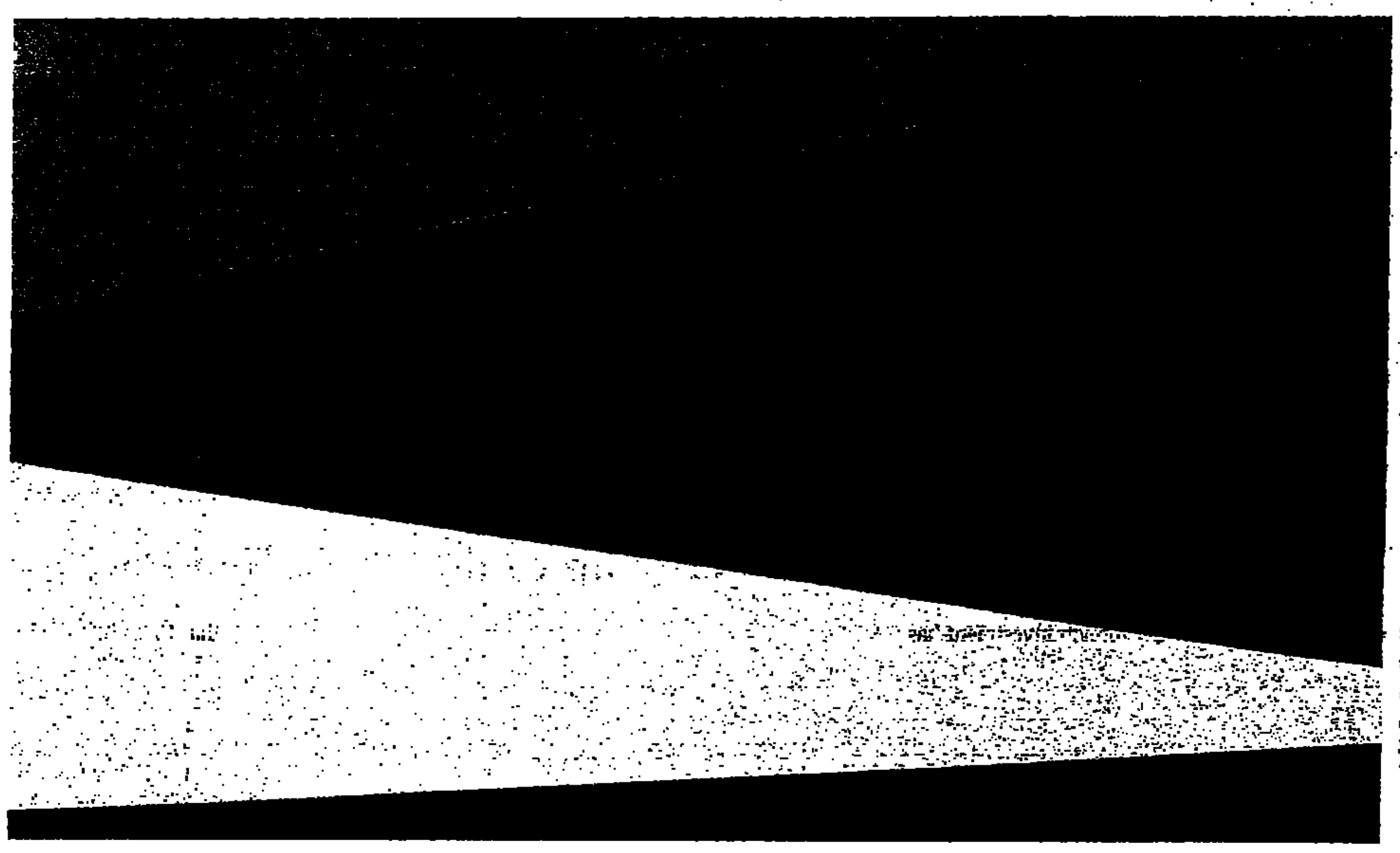


PLASTAL ZCP. Supplier of finished plastic components, mainly to the automotive industry; Saab bumpers are one example. Contributes to design and development. Routine just-in-time deliveries. Cuts costs throughout the process.

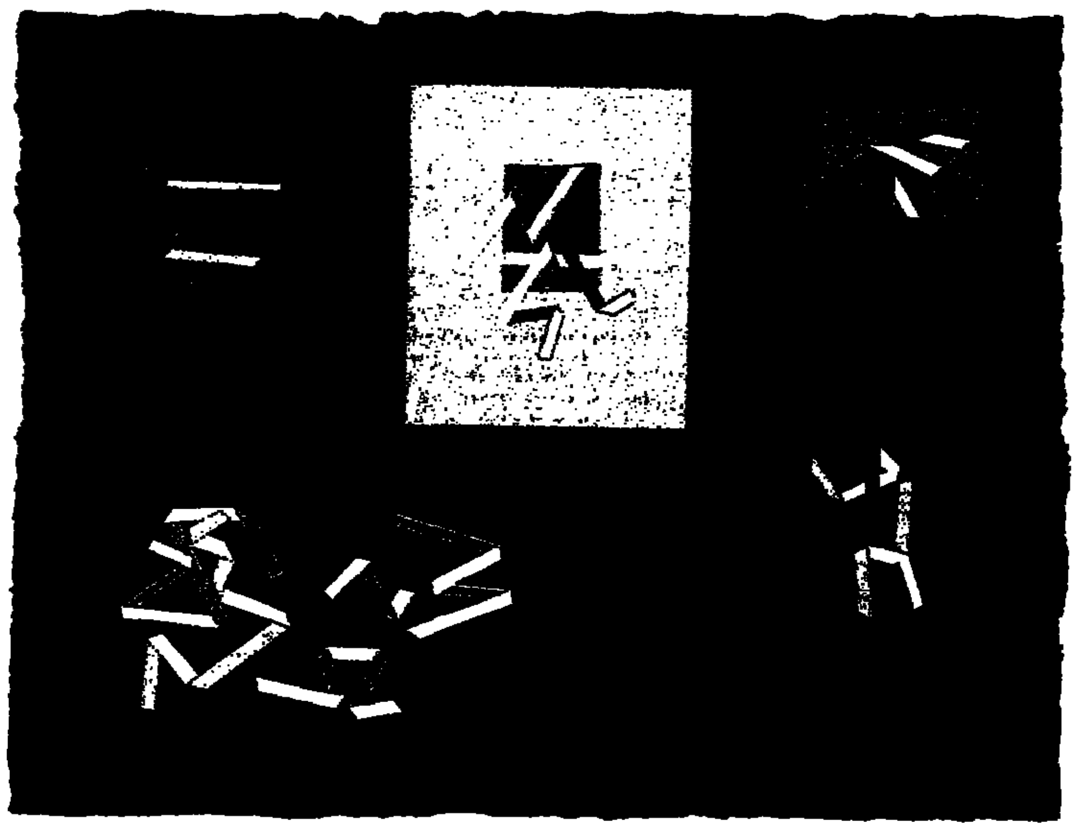
GOTTHARDS. One of Europe's most prominent recycling companies. An organisation that recovers all kinds of material – not just metals – for recycling. This includes a diverse range of objects such as cars, computers, electronics, CFCs, tyres, etc.



FINSPONG ALUMINIUM. A partner to manufacturers such as the automotive industry, Finspong Aluminium specialises in producing aluminium in very thin strips. It can advise exactly which hundredth of a millimetre or which alloy will mean improvements for the customer. It recycles old cans to produce new ones.



SAPA. Working with thousands of different customers, Sapa extrudes, processes and finishes aluminium to simplify customers' production processes and reduce their costs. Sapa also manufactures components and systems.



EUROFOIL. Rolls aluminium into thin foil, right down to 6.35 thousandths of a millimetre. Even when this thin, the foil seals out water, gas, light and bacteria, while keeping in aroma and other desirables. Eurofoil acts as a consultant for major packaging processes worldwide.

DISTRIBUTION GROUP. Stocks and distributes a wide range of metal and plastic semi-finished products. The companies in the Distribution Group operate in the UK, Denmark, Sweden and Finland.

FACTS & FIGURES

(£ MILLION)	FIRST HALF-YEAR		FULL YEAR	
	1995	1994	1994	1993
NET SALES	562	414	873	695
OPERATING PROFIT AFTER DEPRECIATION	43	16	40	27
RETURN ON CAPITAL EMPLOYED	27.2%	11.7%	13.1%	10.2%
TOTAL ASSETS	593	502	573	538
NET LIABILITIES / EQUITY	37%		55%	
AVERAGE NO. OF EMPLOYEES	7,610	7,125	7,160	6,574

GRÄNGES GROUP

FOR MORE INFORMATION: +46-8-459 59 00.

هكذا من الأصل

NEWS: ASIA-PACIFIC

Trial delayed as cult leader fires lawyer

By William Dawkins in Tokyo

The trial of Mr Shoko Asahara, the mystical leader, scheduled to appear in court today accused of plotting the deaths of thousands of Tokyo commuters, was last night postponed indefinitely.

Tokyo District Court was obliged to delay the start of the most celebrated criminal prosecution in the past 20 years when Mr Asahara fired his sole defending counsel, Mr Shoji Yokoyama, in what appeared to be a deliberate procedural delay.

Under Japanese court rules, a defendant facing murder charges must have a lawyer. The court said it would now ask the Japanese bar association to nominate a defending counsel for Mr Asahara.

However, legal experts predicted that this would take some time, since most mainstream lawyers would consider that defending the guru would endanger their lives. The lawyer sacked yesterday was a maverick, who specialises in defending alleged members of *yakuza* organised crime syndicates.

Mr Asahara is accused of ordering members of his cult, Aum Shinri Kyo, to release lethal nerve gas on to the Tokyo subway during a morning rush hour last March, killing 11 people and making 5,500 seriously ill. He also faces five other charges of murder, which carries the death penalty, attempted murder, abduction and production of illegal drugs.

He has told lawyers he will deny all charges. Lawyers expect the court to take at least 10 years to reach a verdict.

The attack, Mr Asahara's arrest and his trial have dominated public attention for much of the past eight months.

The evidence made public so far shows Aum to be an efficient and prosperous organisation, able to buy Russian defence equipment and manufacture chemical weapons on an industrial scale. Some of its leading members are young science and technology graduates from Japan's best universities. Unemployment among graduates, 17 per cent for last year's batch of university leavers, is many times the national average.

In earlier hearings of some of the 34 other Aum followers on trial over the attacks, more than 4,000 people queued in central Tokyo's Hibiya Park, outside the court, to buy lottery tickets for the 56 public seats available.

That beats the previous record, set in 1976 by the opening trial of the late former prime minister Kakuei Tanaka, accused of accepting a bribe to persuade ANA, the domestic airline, to buy Lockheed Tri-Star jets.

Police had expected 20,000 people to turn up in the hope of getting seats for Mr Asahara's first hearing today and had accordingly prepared 10,000 officers to patrol central Tokyo.

'Reforms vital' for Philippine growth

By Edward Luce in Manila

The Philippines must push through its next wave of reforms if the country is to achieve Tiger rates of economic growth, Mr Howard Handy, the departing International Monetary Fund representative, said yesterday.

The goal of a sustainable growth rate of more than 7 per cent would largely depend upon the government's ability to implement often painful changes, including a new tax system, liberalised oil prices and a more efficient public sector, he said.

"It's not enough just to talk the growth rate up," said Mr Handy, who is due to leave after a two-year posting. "You've got to get the elements for growth securely in place. Those elements involve blood, sweat and tears."

He said the Philippines should increase private investment by aiming for a domestic savings rate towards the regional average. At 22 per cent of gross national product, Philippine domestic savings were well below the Association of South-East Asian Nations (Asean) average of 35 per cent but better than the 17 per cent recorded in 1992.

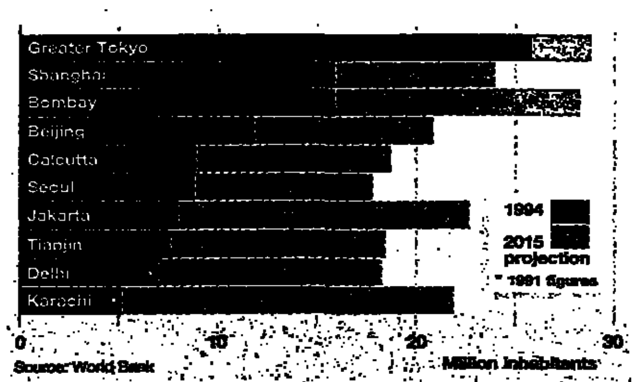
Achieving a higher savings rate would partly depend on introducing a tax system that would end the government's dependence on privatisation revenues. Fewer than 10 per cent of the Philippines' 27m wage-earners currently pay taxes. The country was "buying time with privatisation for the implementation of long-lasting tax reforms," he said.

The energy sector should be deregulated and oil prices liberalised. Proposals to increase petrol prices, which are subsidised at about half world market levels, have been repeatedly postponed in the face of public opposition.

Megacity to dominate in Asia

By Edward Luce in Manila

Asia's mega cities: the pace of growth



Source: World Bank

Rapid economic growth and the rise in urban populations will combine to double the number of "megacities" in Asia to 17 by the year 2020, according to a Manila conference on managing Asia's cities.

Defined as a city of more than 10m, the megacity is expected increasingly to dominate Asia's economic landscape over the next 25 years, creating daunting social and environmental problems. Some centres, such as Tokyo, Shanghai and Bombay, will have populations approaching 30m, say urban planners meeting at the Asian Development Bank this week.

However, a future dominated by congested megacities with low oxygen levels, appalling traffic jams and bureaucratic paralysis can be avoided if intelligent remedies are applied in time, experts say.

Imaginative schemes are needed to involve the private sector in public services such as pollution control and urban railways. Greater popular involvement in urban government is also vital. And municipal planners should pay more attention to quality of life concerns, such as creating better parks and a genuine variety of cultural entertainment.

"Ten years ago everybody thought that the aim should be to encourage people to move away from large cities by decentralising the economy," says Professor Remy Prud'homme, from the University of Paris. "Now there is a realisation that large cities have better productivity levels and higher per capita incomes than anywhere else, as well as more interesting lifestyles."

An ADB study for the conference says more than two-thirds of the world's urban population growth will take place in Asia in the next two decades. In China and India alone about 800m people will move from the countryside to the city.

"The situation in Asia's megacities is unique," says Mr Rafael Alunan, secretary of local government in the Philippines. "Their rate of population growth is much faster than their counterparts in the west. Many of them are also the poorest and least equipped to cope with urbanisation and their growth is increasingly outstripping the carrying capacity of their eco-systems."

Mr Mitsuo Sato, president of the ADB, says Asia's leaders will have drastically to rethink ways of governing if they are to cope with the unprecedented strain megacities will place on resources.

The ADB study says that build-operate-transfer (BOT) contracts – where the private sector constructs and manages an infrastructure project for a fee before turning it over to state control – is the most efficient way of funding the roads, parks, public buildings and telecom facilities which will be needed in megacities.

The private sector should be encouraged to assume roles traditionally reserved for the state such as construction of light railways and water distribution. The estimated $1,500bn (£950bn) needed to finance (mainly urban) infrastructure over the next decade will have to come from the international capital markets rather than taxpayers, say urban planners

The study also urges megacity leaders to copy the example of the Philippines and Malaysia, which are increasingly resorting to BOT laws to build power plants and toll roads, or of Bangkok and Jakarta, where water supply is being taken on by private companies. Governments should also increase local democracy to make sure that the use of public money becomes more transparent.

"One of the key messages we are putting forward is that the most accountable and transparent urban governments will be the most successful in channelling financial resources to where they are needed," says Mr Jeff Stubbs, an urban planner at the ADB. "We are only at the beginning of the [democratic] phase but we hope to see an acceleration."

Taxman may tap brews

By Emiko Terazono in Tokyo

Japan's tax authorities, seeking new sources of revenue as the recession continues, are threatening to raise taxes on "low-malt effervescent brews" – alcoholic beverages which look, taste, and smell like beer, but are taxed at lower rates than ordinary brews because of their lower malt content.

Sales of the low-malt drinks introduced by Sapporo and Suntory, two leading Japanese breweries, have surged, with retail prices 30 to 40 per cent lower than ordinary beer.

The Japanese liquor tax defines beer as a beverage with over 67 per cent malt content and Sapporo's new brew has 24 per cent malt while Suntory's has 65 per cent.

The success of the new brews has helped offset the decline in domestic beer makers' profit margins due to discounting and increasing competition from cheap import beer.

However, their growing popularity has caught the attention of the Finance Ministry, which over the past few months has been considering increasing taxes on the drinks. "If it is drunk as beer, then it should be taxed as beer," said the government's advisory committee on tax reform, earlier this week. The government is likely to include the changes in the liquor tax law in a planned reform.

The ministry's move is likely to force the beer companies to raise prices of the low malt beverages. The brewers are unhappy that they may be punished for spending time and money on research and development to create innovative products which have won support from consumers.

"They're not thinking about the consumers," says Suntory, which spent three years developing the brew. Sales of the low-malt drink account for 20 per cent of its overall sales. Sapporo says it spent five years developing its brew, which it expects to account for 7 per cent of overall sales by the end of the year.

"It has been really hard trying to make a brew with less malt, which is what makes beers taste good in the first place," say Sapporo officials.

LegCo votes for HK tax freeze

By Simon Holberton in Hong Kong

Hong Kong's newly elected parliament yesterday fired the first shot in a war over economic priorities when it voted down a government proposal to increase certain taxes and charges.

The Legislative Council (LegCo) voted 49 to six in favour of a freeze, with members citing the need to restrain inflation and help Hong Kong's flagging domestic economy.

Hong Kong's inflation rate rose at an annual rate of 8.9 per cent in September, while the volume of retail sales was 1.2 per cent lower in the first nine months of the year compared with the same period in 1994.

A chastened Mr Donald Tsang, financial secretary, pledged to continue to discuss fiscal matters with LegCo members. Mr Tsang, who holds the purse strings, is the focal point of members' demands for higher spending. He said that he was "listening all the time" to LegCo members.

Mr Tsang's ability to pursue his economic policy is, however, made all the more difficult as the Hong Kong government has little control over the colony's law-making body.

Last month, for the first time in 150 years of British rule, all 60 members of LegCo were returned by election. This has emboldened members who have vowed to put pressure on the government for more spending on health, education and social welfare.

The September poll left the Democratic party, which favours higher spending, with 19 of the 60 seats but a functional majority on many issues. Yesterday's defeat of a government tax measure commanded the support of the Democrats as well as the pro-business Liberal party.

Mr Chris Patten, the colony's governor, has threatened to use his power of veto if LegCo passes laws which conflict with government policy, or agreements previously reached between Britain and China.

In debates yesterday Mr Patten was castigated for making this threat. Ms Christine Loh said that members did not take lightly their power to introduce a private member's bill.

Past muddies Mekong regional deal

Former enemies still have a lot of patching up to do, writes Ted Bardacke

Agreement by Asia's six Mekong River countries to embark on a regional development strategy is a remarkable achievement for former enemies and potential economic competitors. Burma, Cambodia, Laos, Thailand and Vietnam, along with China's Yunnan province, apparently see integration as vital to their future.

However, drawing up the ambitious $40bn (£25bn) plan unveiled this week may have been the easy part. Large financial and political obstacles still need to be overcome.

With a population of 225m, the six countries of the Greater Mekong Sub-region (GMS), are growing between 5 and 10 per cent a year, albeit from a very low base caused by years of isolation and poorly planned economies.

Abundant natural resources, particularly water, wood and minerals, along with a thriving agricultural sector, provide the conditions for further development.

The Asian Development Bank, which co-ordinated the development plan, estimates that in the next 10 years average income per head in the region will rise from $700 to $2,200 a year, or to about where Thailand is today, making the region a formidable consumer market as well.

Yet, apart from growing Thai investment in the region, estimated to be more than $2bn, there are few bilateral links between the six countries, except for smuggling and traditional trade in commodities and cheap consumer goods.

Other foreign investment has been aimed at particular countries rather than at the region as whole, because of the lack of a regional infrastructure or common legal framework.

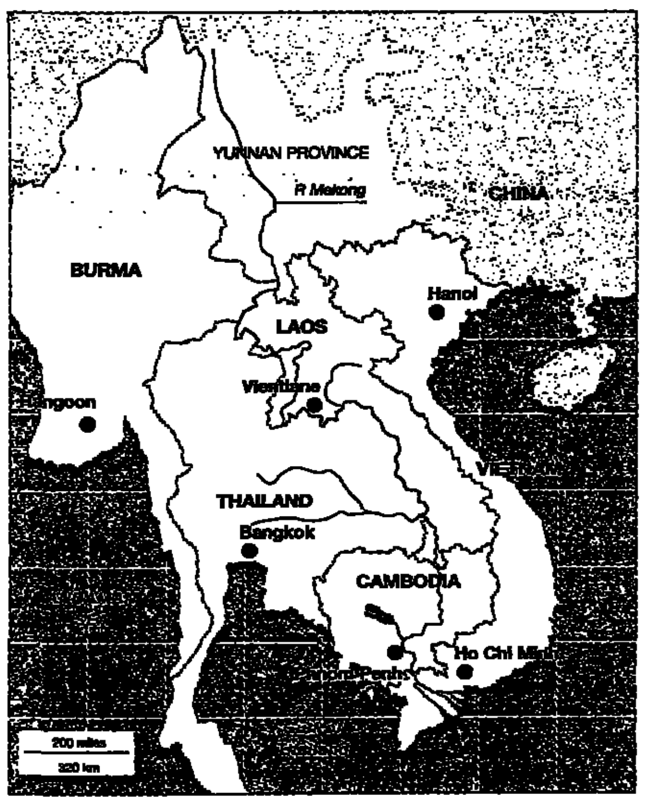
PepsiCo, the US softdrinks company, for example, is operating in all the GMS countries and is "trying to work regionally but it just doesn't pay economically", says Mr Barry Shea, president of Pepsi South-East Asia.

To help realise the region's potential, joint development plans in the areas of transport, energy, telecommunications, tourism, the environment and human resources have been drawn up. The six governments have endorsed 77 projects – 34 in the transport sector, 12 in energy, 11 in environment, eight in trade and investment, seven in human resource development and five in tourism.

Discussions of tariff reduction and trade barriers were purposefully left out of the deliberations; the agreement is aimed more at providing the necessary infrastructure for trade and development rather than at liberalising it.

The plan will receive further impetus when Laos and Cambodia join Asean (to which Thailand and Vietnam already belong, together with Indonesia, Singapore, Malaysia, Philippines and Brunei) and the companion Asean Free Trade Area in the next few years.

"There is serious commitment by the governments to make this work," says Mr Noritada Morita, director of programmes department at the ADB. "This plan won't just sit on a shelf."



The private sector is expected to fund more than half the $40bn in projects over the next decade. Thailand is the only country in the GMS with more than an incipient private sector, and while its new $200m Indochina Investment Fund – a government-sponsored vehicle to assist private Thai investors – may be a lot of money within the region, it is dwarfed by actual needs.

Getting big banks on board is likely to prove difficult, judging from recent experience. Raising the finance for the $1.2bn Nam Theun 2 dam in Laos, designed to provide electricity for Thailand and considered a model project for the GMS, has proved difficult because of concerns about political risk and legal uncertainty in Laos. Those with such worries point to the fact that this week the Lao government demanded the re-negotiation of an electricity supply agreement with Thailand on a South Korean-led hydro-power project.

"I am struck by the lack of private sector interest in many of these projects," says Mr Wong Yit Fan, chief economist for South-East Asia at Standard Chartered Bank. "If they were viable, there would be a lot more activity and interest from the private sector."

There are other difficulties. Thailand and Burma have several border crossings but they are all closed as a result of wrangling over land rights, the treatment of Burmese fishermen on Thai fishing boats and the drug trade.

Yunnan province is promoting a $1.6bn rail link from the capital, Kunming, through Laos and into Thailand to get access to the sea. For just $65m, an existing railway from Kunming to Hanoi and on to the port at Haiphong could be upgraded but the Vietnamese and Chinese show little interest in handling each other's goods.

This inability to harness even existing infrastructure for cross-border trade has led some to wonder whether the Mekong River countries might be better served improving their own creaky infrastructure first.

"I wonder, given the opportunity cost of doing these huge projects, if it wouldn't be better first to focus on small-scale projects directed at heavy users," says Mr Wong.

Laos and Thailand in electricity price row

By Ted Bardacke in Bangkok

A request by the Lao government to raise the price of electricity sold to Thailand's state-run electricity authority from a dam under construction in southern Laos has alarmed Thai authorities and surprised the Lao government's private sector partners, Daewoo of South Korea and Loxley of Thailand.

Thailand last month agreed to buy 130MW of electricity from the $210m (£133m) Houay Ho dam in Laos at a base price of 4.22 cents per kilowatt hour. But the Lao government, which owns 20 per cent of the project scheduled to be operational in late 1998, has since asked for the price to be raised to 4.35 cents.

The price agreement, along with a decision to enforce the contract under UK commercial law rather than on the Thai or Lao legal system, are seen as crucial for attracting the $140m in debt financing needed to complete the project.

Laos has made hydro electricity development a cornerstone of its development strategy but political risk, worries about the commercial capabilities of Lao government officials and environmental concerns has made international financing difficult to attract.

The Houay Ho dam is seen as one of a small number of precedent-setting hydro electricity projects that will sell up to 1,500MW of electricity to Thailand.

"They are not going to get very far if they try to go back on agreements already reached," said an official at the Electricity Generating Authority of Thailand (Egat), the state-run agency in charge of electricity purchasing.

The official added that Egat could not agree to a higher price because it would violate the agency's principle of not buying power from Laos at a price that exceeded the cost of producing similar power in Thailand.

An executive with the dam consortium said he was surprised by the Lao government's move but that the project would move forward nonetheless.

"They didn't speak to us first about this," he said. "The project can be operated and financed at 4.22 cents. And we expect that to remain the price."

Australian inflation at 5.1%

By Bruce Jacques in Sydney

Australia's official inflation rate has risen to its highest level in half a decade, damping expectations of a cut in official interest rates this year.

Consumer price index figures released yesterday showed prices rose 1.2 per cent in the September quarter of the year, bringing the annual rate to 5.1 per cent.

This represents a doubling of the annual inflation rate over the past year, which most economists believe ends hopes of an official interest rate cut this year.

The underlying rate of inflation also rose to 3.1 per cent for the past year, just above the 3 per cent level publicly targeted by the central bank.

The September quarter surge was caused primarily by large rises in transport costs (up 2.7 per cent) and tobacco and alcohol prices (up 3.4 per cent).

Housing costs rose 0.7 per cent in the quarter, but were up by more than 11 per cent over the past year.

The inflation figures caused a sell-off in Australian bond markets, and briefly forced the Australian dollar down.

But Mr Paul Keating, the prime minister, who faces an election before the middle of next year, said yesterday the inflation figures were unlikely to have any effect on interest rates.

Mr Keating said the outcome reflected one-off cost factors. "Australia has broken the back ... of inflation. What we've got to do now is be vigilant about it," he said.

Ministers try to defuse immigration row

By Robert Peston and Mark Suzman

Employers will not have to act as immigration policemen under government proposals to curb the employment of illegal immigrants, British ministers insisted yesterday.

They will however be legally obliged to demand that potential employees furnish a national insurance (NI) number or other documentary evidence that they are entitled to work in the UK.

In strenuous efforts to reassure employers that the new anti-immigration measures will not impose costly new red tape on them, a senior minister insisted that companies would not be responsible for verifying the validity of the national insurance number or other work documents, such as passports in the case of European Union nationals.

That obligation will stay with the government, which hopes that its system for checking the validity of NI numbers can be improved by computerisation.

"So long as a company can show it has asked for the NI number, it will not be prosecuted if the number turns out to be phoney", the minister said. "The impact of the reform on business will be minimal, since they routinely ask for the number anyway".

However, Mr Tim Melville-Ross, director-general of the Institute of Directors, said he remained unhappy with the proposal that failure to make the checks would be a criminal offence.

"This additional sanction still means that companies may feel they are responsible for policing immigration", he said.

However, the minister pointed out that the only European Union countries where it is not a criminal offence to employ illegal immigrants are the UK and Ireland.

He insisted the measure would have its main effect on "sweatshops", which employ illegal immigrants at "slave labour rates".

The proposal will be included in the Immigration and Asylum Bill, a measure to be included in the Queen's Speech – the government's legislative agenda – on November 15.

This bill is also expected to pave the way for a list to be drawn up categorising countries according to their records on human rights and political tolerance.

The new list will help immigration officials to speed up their assessment of whether an asylum seeker has a valid case for staying in the UK, to reduce the backlog of immigrants waiting for a decision on their status.

In the 12 months to the end of June, the UK received 37,900 applications for asylum, nearly 50 per cent up on the previous 12 months.

Ministers said yesterday that an alleged leaked government document, which said that Algeria, Sri Lanka and Nigeria would be categorised as countries which did not typically put refugees at risk, was "utterly misleading". An official said the authenticity of the document had not been ascertained and these countries would be classed as among the most dangerous for asylum seekers.

Family feature films flaunted

By Ian Hamilton Fazey, Northern Correspondent

A US company which produces and distributes wholesome video entertainment – guaranteed free of sex, violence and bad language – is to set up in the UK, creating 500 jobs.

Feature Films for Families, a Utah-based company, yesterday announced that it expects to spend more than $250,000 on the project in Sale, Greater Manchester.

Most of the jobs will be in a telephone marketing centre to sell videos direct to consumers throughout Europe. Other jobs will be in duplication, distribution, administration, information technology and customer service.

Greater Manchester beat Munich and Paris for the project partly because of Manchester Airport's proximity and its US connections, but also after the company had satisfied itself that the local labour market could provide enough sales staff with language skills to sell throughout Europe.

The company has built up a 3m-strong US customer base in the last five years. It has a turnover of more than $60m a year and about 1,600 employees in 10 centres, with operations concentrated in Oregon, Utah and Colorado.

Although it buys in some videos, the company has made 10 of its own so far, eight of them action features made in the US and two animations produced in Hungary.

The company will make a feature film in Liverpool next year, using the city's emergent film industry, and expects to make films regularly in the UK, using British writers, directors and crews.

Mr Ed Hansen, senior executive vice-president, said: "We initially expect to be duplicating about 10,000 videos a month." He expected sales to build as they had in the US – by referral and word of mouth among parents.

Mr Hansen said production and distributive alliances were being established with Atlantis and Grundy – the latter now part of Pearson, owner of the Financial Times.

The project was formally announced by Mr William Crowe, the US ambassador to the UK, who was in Liverpool yesterday to mark the 10th anniversary of Inward, the government-backed investment agency for north-west England. Feature Films for Families is the 503rd US business to set up in the region, which has about 1,200 foreign-owned companies.

Anti-fraud code will force disclosure

By Jim Kelly, Accountancy Correspondent

Secret deals between companies and directors of the kind that have underpinned several UK frauds will in future have to be revealed in annual accounts.

Under a compulsory code published yesterday, companies will also have to say who ultimately controls them or admit in their accounts that they do not know.

The code, which falls in line with international and US practice, is designed to create an environment of transparency in company accounts which may deter and frustrate fraud although it is unlikely to stop committed fraudsters.

Details of a wide range of transactions with "related parties" – including linked private companies, relatives of key management and pension funds – will have to be disclosed.

Such transactions are alleged to have been at the heart of several large corporate collapses in recent years, including that of Polly Peck International, the business empire of Mr Asil Nadir.

Sir David Tweedie, chairman of the Accounting Standards Board, which published the code, said: "In financial matters it is not enough to look at the puppets: users need to see the strings and know who is pulling them."

The Department of Trade and Industry said it fully endorsed what Sir David had done. "We welcome the extra transparency this will bring to financial reporting."

The code – Financial Reporting Standard 8 – significantly widens the requirements of the Companies Act. Its biggest impact is likely to be on small to medium-sized companies which share complex family links.

Companies will have to name the individuals and companies involved in transactions with "related parties", describe their relationship, the amounts involved, and any doubtful debts.

The board has defined a wide range of related parties, including companies in the same group, associated companies, directors and their close families, pension funds, key management, and those controlling 20 per cent or more of voting rights. All such transactions must be shown in the company's accounts – even if they are normal commercial ones.

The new standard applies to all companies for accounting periods beyond December 23. It is not retrospective.

Britain's Auditing Practices Board will soon publish guidelines for auditors.

Koreans find an Ulster welcome

The Industrial Development Board, Northern Ireland's investment agency, has been putting on a brave face in the wake of news that CCA Electronics, a £9.5m Korean investment project at Dungannon, was near to closure after its parent company was forced to cease trading.

"It's undoubtedly a glitch," said one IDB official. However, the policy fall out is harder to predict.

South Korea has been one of the IDB's most fruitful markets. Since the first Korean investment in 1988, Northern Ireland has secured six projects – three of them since the paramilitary ceasefires last year. Around £100m has been committed, including IDB grants, with the promised creation of more than 2000 jobs. It is hoped the projects will build up a critical mass which will attract a wave of new investments, through what Mr Frank Hewitt, IDB chief executive, terms "the herd instinct".

"When one comes, they all come. But momentum is important. Companies don't like to be pioneers."

He predicts there will be two or three new big Korean investments in the next year.

CCA's troubles have cast a pall over recent successes. However Mr Paul Gorecki, economist at Belfast's Northern Ireland Economic Council believes such setbacks are unavoidable. "Taking risks is what governments should be doing. The low risk investments will be done by the private sector," he says.

Problems facing Northern Ireland include a 14 per cent unemployment rate, the collapse of its traditional manufacturing base in shipbuilding and textiles, and a poor public image associated with 25 years of sectarian unrest. Competition for investment capital remains intense.

"Northern Ireland has an immediate problem. This is certainly one way to cure it," says Mr Hoon Lee, chairman of Dae Ryung, which announced a £17m investment in April to make television satellite receivers in Craigavon.

Lead enterprise: Daewoo's Antrim plant brought a cluster of other Korean companies in its wake

In 1989 Daewoo Electronics, a subsidiary of the Korean Daewoo conglomerate or chaebol, opened a factory in Antrim to assembly video recorders. In its wake a cluster of smaller Korean companies has arrived, supplying Daewoo's Northern Ireland operation in the first instance, and using the province as a springboard to penetrate the European market.

The province's attractions include an English-speaking business environment, and a large labour pool. But the big draw is the grant regime, the most generous in the UK, covering up to 40 per cent of capital costs. Ms Noriko Hama, of Mitsubishi Research Institute in London, says Korean groups definitely like to see cash on the table. "What they want is an upfront assurance. It's something they're used to at home," she says

Another feature of Korean investment is that while many foreign companies have been scared off by the violence in Northern Island, Korean groups appear less inhibited. One explanation is that Koreans are used to seeing soldiers on their own streets, after the political turmoil which afflicted South Korea in the mid-1980s.

"When you live in Korea you never notice the student riots, but the rest of the world notices. The same thing happens in Northern Ireland," says Dae Ryung's Mr Lee.

For some companies, the trigger was the changes in EU tariff rules for imported finished products. For example, Dae Ryung's decision to relocate followed the EU's move to end the duty-free status for imports from the Philippines, an English speaking market where the company had established its first overseas unit.

"I don't know how it is perceived by others, but it is our perception that Brussels treats European and Asian companies differently. We see a discrimination, and felt we needed a European presence to avoid that," says Mr Lee.

Daewoo's progress is clearly a comfort. According to company officials, productivity rates in the province are about 90 per cent of Korean levels. As the number of related operations start up, it will be soon be possible for Korean groups to reproduce the "just in time" inventory practices used at home. Mr Sebag Oh, the Daewoo general manager for Northern Ireland, says: "We're doing our best to persuade other Korean suppliers to come to Northern Ireland."

The Koreans have gone down well with the local business community and the Northern Ireland chamber of commerce is forging links to establish export possibilities for local companies.

"You can see the Daewoo managers out on the golf course every Sunday," says Mr Ciaran Boylan, Antrim council's economic development officer. "They're a new part of the landscape here, and a welcome one too."

John Murray Brown

Bosses urged to involve juniors

Company chief executives should spend more time listening to their younger managers when making strategic decisions rather than employing expensive consultants, a US management expert said yesterday, Richard Donkin writes.

Prof C.K. Prahalad, professor of Business Administration at Michigan University's Graduate School, told the Institute of Personnel and Development conference in Harrogate, northern England, that giving young employees an opportunity to influence corporate direction was just as important in motivating them than giving them a 5 per cent pay rise. "Pay is important but a 5 per cent rise is not going to keep these young people excited. What they need is to have a shared voice in the company," he said.

Attracting talented individuals would be one of the big challenges for companies in the future he said. "The people companies need are those who have the knowledge and the skills to walk away from them. The people who can say 'No I don't want to work for you' are the people you want."

"Companies will need to construct systems that attract these people and keep them wanting to work for the organisation," he said.

One way to do this, said Prof Prahalad, was to involve young managers in teams looking at possible directions for the company in the next 10 to 15 years. He criticised those company chiefs who preferred to listen to consultants rather than seek business solutions and ideas from their own employees.

Company heads would do well to consult their young managers, he said, adding: "Their collective judgment may be better than that of the individual on balance".

UK NEWS DIGEST

Canadian-led consortium may win TV licence

There were growing signs last night that UKTV, the consortium put together by CanWest, the Canadian-based international broadcaster, may have won the licence to operate Channel 5, Britain's fifth terrestrial television station.

The Independent Television Commission, the industry's regulatory body, said yesterday it would announce tomorrow (Fri) which of the four applicants was going to be awarded the licence to broadcast to around 75 per cent of the UK population.

The decision was taken by the ITC yesterday after the Commission failed to reach a verdict last Thursday.

UKTV bid what was seen as an astonishing £36.26m ($57.29m) a year for the licence but the company said that the group's capital needs were underwritten up to £600m – twice its needs under a worst case business forecast.

Channel 5 Broadcasting, a consortium grouping Pearson (owners of the Financial Times), MAI and CLT of Luxembourg; and Virgin Television submitted identical bids of £22,0802,000.

New Century, a consortium lead by Mr Rupert Murdoch's News International and the Granada Group bid just £2m a year for the licence.

Widespread industry speculation has consistently suggested that the four bidders all submitted applications of reasonable quality and that therefore they were likely to meet the basic quality hurdles that have to be overcome before the cash bids become decisive. *Raymond Snoddy*

Nuclear sale safety stance

Greenpeace, the environmental pressure group, has concluded that nuclear privatisation in the UK would not necessarily increase safety risks.

In a submission to the Commons Trade and Industry Committee, Greenpeace argues that the nuclear generators already operate under commercial pressures within the public sector.

Although it believes that nuclear power stations can never be made sufficiently safe, it adds: "There is no reason why the management of a private nuclear company should necessarily be less sensitive to safety concerns. For operating power stations, the ownership is less important than strength of regulation." Greenpeace's view puts it at odds with Britain's opposition Labour party on the safety implications of privatisation. Mr Ken Purchase, a Labour member of the committee, said yesterday:"It would be the first time in the history of the world that commercial pressures did not bring corner cutting." Greenpeace sees positive advantages in privatisation, including that money for decommissioning privatised stations will be ring-fenced in a segregated fund. *David Wighton*

Iraqi diplomat expelled

An Iraqi diplomat was ordered to leave the UK yesterday on the grounds that his activities were "incompatible with his diplomatic status", said the British Foreign Office.

Khamis Khalaf Al Ajili, administrative attaché at the Iraqi interests section of the Jordanian embassy, was ordered to leave the country by October 31. It is believed that Al Ajili was an intelligence agent targeting Saddam Hussein's opponents in the UK. *Press Association*

Court upholds insurance ruling

The Court of Appeal in London yesterday upheld a ruling establishing the right of insurance companies to collect on reinsurance policies taken out against big losses even if they have yet to pay their own claimants.

The judgment is important for liquidators of insolvent insurance companies which have faced difficulties claiming on reinsurance policies. An estimated £2-£3bn in reinsurance claims have been delayed due to uncertainty over the issue. However, payments look set to be delayed further pending an appeal to the House of Lords.

The case was brought by Mr Philip Singer and Mr Ian Bond of Coopers & Lybrand, provisional liquidators to Charter Reinsurance, against Lloyd's of London syndicates which had refused to pay claims to Charter Re. *Ralph Atkins*

Share scheme changes loom

The British government is working on ways to improve save-as-you-earn and profit-sharing schemes, Mr Michael Jack, financial secretary to the Treasury, confirmed yesterday.

The Treasury is keen to make the two schemes more attractive to promote wider share ownership, and Mr Kenneth Clarke, the chancellor, is expected to announce changes in the Budget on November 28.

Earlier this year Mr Clarke scrapped tax relief on approved executive share option schemes but he is keen to involve low and medium-paid workers in share incentive schemes.

The key objective is to make SAYE and profit-sharing schemes more flexible, and thus more attractive to companies. One option is to design a scheme where employees have to cash in their shares when they leave the company – similar to the rules under the executive scheme.

Mr Jack told MPs in a debate on share option schemes that moves to modify SAYE and profit-sharing schemes were being actively considered ahead of the Budget. Some two million people have a stake in the two schemes – about one million in each. SAYE schemes give tax relief to employees who save to buy shares by means of exercising share options under the scheme. Profit-sharing schemes allow an employer to give an employee free shares worth up to £8,000 a year. *George Parker*

EU saving could yield domestic tax cuts

By James Blitz, Lobby Correspondent

Mr Kenneth Clarke, the UK chancellor, could find more room for tax cuts in this year's Budget because of a lower than expected contribution to European Union finances.

As the Treasury enters final negotiations over public spending plans for the next financial year, Conservative MPs have been told that the UK could undershoot its projected net expenditure of £2.8bn ($4.42bn) on the EU in 1996-97 – helping Mr Clarke to reduce public spending and finance tax reductions.

One Tory MP has been led to believe that spending could be cut by up to £1bn in the next financial year. But Whitehall officials have played down this figure, saying that prospective spending on the EU is one of the most difficult items to forecast each year.

The figure is prone to huge fluctuations as the Brussels machine sets figures for UK receipts and rebates. There are also technical difficulties because the EU financial year runs from January to December while the UK's runs from April to March.

Mr Clarke is no stranger to these wild fluctuations. On the eve of his last Budget statement the chancellor announced that the UK contribution to the EU for 1994-95 had been revised up by £700m from previous projections. That increase coincided with the passage of controversial legislation increasing the UK's spending on the EU, triggering a furore among Eurosceptic Tory backbenchers.

Now the outlook is different. Three factors have led MPs to believe Mr Clarke may have some room for manoeuvre with this politically sensitive item of Treasury expenditure:

● The UK's increased contribution to the EU budget under last year's legislation has been delayed. This is because two countries – the Netherlands and Italy – are yet to ratify the agreement made at the EU Edinburgh summit in 1992, increasing the ceiling of permitted EU spending from 1.21 per cent of Community-wide gross national product to 1.27 per cent by 1998-9.

As a result Whitehall officials have confirmed that the UK has not passed on a net extra contribution of some £75m to the EU in this calendar year. The impact on the UK finances may be more favourable if gross expenditure on the summit uprating has been fully retained by the Treasury.

● The EU looks set to undershoot expenditure on the Common Agricultural Policy this year. This is because of favourable market developments in some sectors such as beef, wine and arable. Whitehall officials believe there could be an underspend of Ecu1bn across the EU, reducing the UK's CAP liabilities next year by several tens of million pounds.

● A similar undershoot could be projected for the EU's structural budget, aimed at achieving economic and social cohesion across the EU. According to one Whitehall official this is because new projects in this field have been slow getting off the ground.

Here, the projection is for an underspend of between Ecu1bn and Ecu2bn this year, translating into reductions of up to £100m for the UK next year.

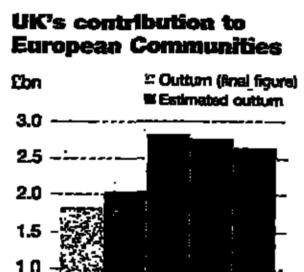
Whitehall officials insist that care must be taken in trying to predict the impact of these factors. They say expenditure on the EU budget is erratic, with the early part of each year taken up by budget planning and expenditure transactions concentrated in the last quarter.

They also note that any savings which the Treasury makes in next year's Budget may lead to a reduced rebate for the UK in future years.

But Mr Clarke is looking to reduce the UK control total (non-cyclical public expenditure) next year by £3bn, and the room for manoeuvre in really big Whitehall budgets – social security and health, for example – appears small.

The increasing Euroscepticism of the Tory party would also make this a task to relish. Against this background the Treasury can be expected to lap up any opportunity to reduce expenditure on the EU.

UK's contribution to European Communities



Source: Budget Red Book, 1995-96

The Queen is to start paying for the private use of the Royal flight by members of her family, *Robert Shrimsley writes.*

In a change to traditional practice under which the bill for all royal use of the Queen's flight was met by the Ministry of Defence, Mr Nicholas Soames, armed forces minister said yesterday that from next year "private flying by the Royal Family becomes a charge on the Privy Purse".

It follows criticism of what some see as the jet-setting life-style of younger royals. While the Queen used the royal flight, which cost the taxpayer £9.1m ($14.3m) in 1993/94, just 39 times that year, others made far more regular use of it.

The Prince of Wales made 112 flights, the Duke of Edinburgh, 84, the Princess Royal, 190, and the Duchess of Kent 118 trips. The Princess of Wales made 56 flights and the Duke of York, 38. The MoD would not say how many of these visits were for official purposes.

هكذا من الأجل

هكذا من الأصل

Congratulations Audi, BMW and Lotus on your prestigious awards by AutoWeek. Our Opel Vectra team could hardly be in better company.

Winning international awards for excellence is a heart-warming, but quite familiar experience for our engineers and designers. In fact, they can point to some five dozen major awards, just in the last three years. Naturally, further acclaim is always welcome to our team – as it is to Opel customers, who can be even more certain that they've made a wise choice.

This time, it was our brand new Vectra that won its first trophy: influential AutoWeek magazine selected it as "the most significant" car at the Frankfurt International Motor Show. That's good news, especially as we shared the honours with three other highly respected names in the car business: Audi, BMW and Lotus. Each one was cited for a different aspect of automotive excellence.

So, bravo to our fellow award-winners and the Opel Vectra team for another great job. As we're sharing the honours, we'll happily share the champagne. It's due to flow this week, during the official AutoWeek trophy presentation at the Tokyo Motor Show.

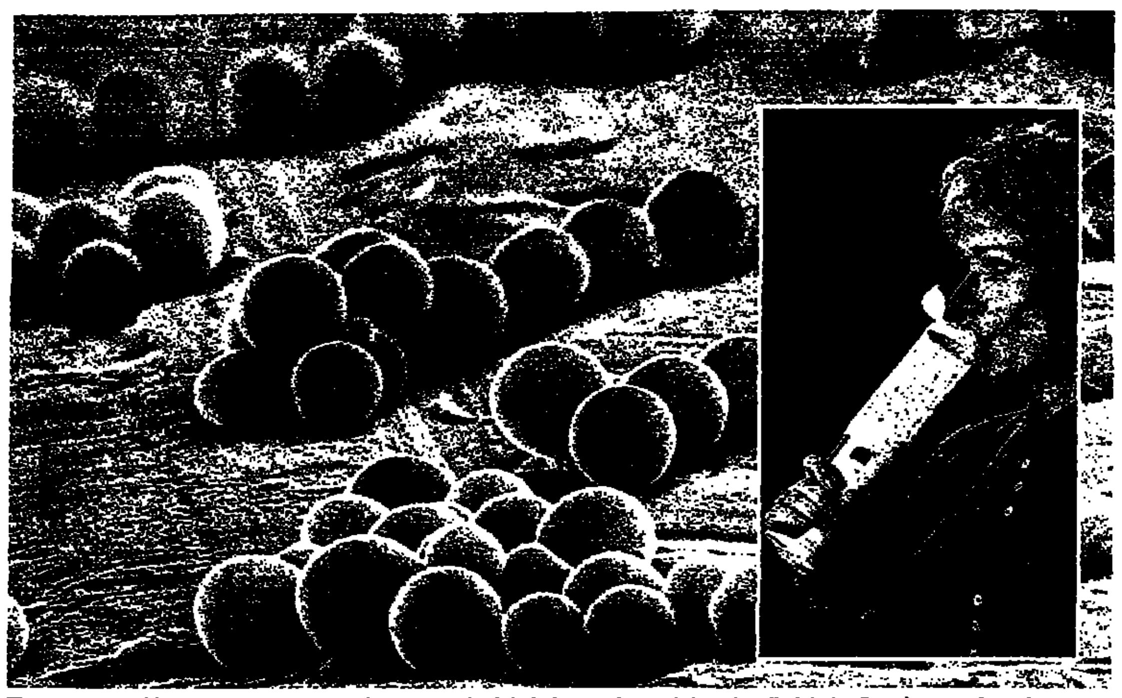
Cheers!

OPEL

TECHNOLOGY

Inhaling a drug has advantages over an injection or a pill. **Daniel Green** reports on delivery systems

A sharp intake of breath



Three-micron wide particles can encapsulate a drug for inhalation; and a prototype insulin inhaler (inset) currently under test

Drugs have been taken in through the lungs for centuries. Smoking – tobacco and other substances – gets chemicals into the body quickly and effectively.

It works in medicine, too. Inhaled drugs are the mainstay of asthma treatment, and have also been tried for migraine, angina and cystic fibrosis. Research is now under way to package almost any drug for delivery by lung.

Inhalation has many advantages over alternatives such as injections and tablets. Most important, for drugs designed to work in the lungs, direct delivery means smaller doses and therefore fewer side effects.

According to Ian Smith, research director of Andaris, a UK company which specialises in developing inhaled-drug technology, an injected dose would need to contain 10 times more of a drug than would need to be inhaled to deal with a lung condition.

In addition, absorption of inhaled drugs takes a few seconds. And some drugs which would be broken down by the digestive system if swallowed could, in principle at least, be inhaled instead.

As well as these medical reasons, there are powerful commercial incentives for developing inhalers. A new inhaler can be patented in combination with an old drug that has lost patent protection. This can exclude potential competitors legally able to manufacture an off-patent drug but unable to put it into the best means of delivery.

This is not a marginal issue. Patented inhaler technology can be worth billions of dollars, as seen earlier this month in the takeover of UK drugs company Fisons by US rival Rhône-Poulenc Rorer. The biggest single reason for the bid was Fisons' inhaler technology.

The cash piles involved in inhaler technology may be staggering, but any product has to perform just one mundane task to be successful. It must get the right dose of a drug to the right place.

In the 1930s, bulky nebulisers – machines that create a cloud of droplets in a chamber that is then inhaled – were developed.

In 1956 a portable pressurised gas inhaler was created that could deliver measured doses. Such metered dose inhalers (MDIs) were pocket-sized, easy to use and instantly popular. They account for most of today's asthma puffers.

A new generation of metered inhalers is now arriving on the market. They are the dry powder inhalers (DPIs) of the type that Rhône-Poulenc Rorer found so enticing at Fisons.

DPIs do away with propellants. They work by measuring out a dose from a hopper, or puncturing a capsule containing the right dose of the drug in a powdered form. The patient's intake of breath is enough to deliver the dose.

They have three advantages over MDIs. First, the patient takes only the drug, not a cocktail of drug, propellant and other ingredients.

Second, worries over propellants that damage the atmosphere's ozone layer are eliminated. The drugs industry is in the midst of an expensive transition from CFC-propelled MDIs to environmentally friendlier alternatives. 3M, the US chemicals company, is the only one to have successfully launched a non-CFC asthma propellant.

Finally, the size of the powder grains can be made more precise than the droplet size in MDIs. This allows fluid scientists to map the flow into the lungs and pick a particle size that maximises the dose.

In principle this solves one of the main problems with MDIs: three-quarters of what is inhaled sticks to the inside of the mouth or throat rather than reaching the lungs. It is not usually a serious problem, but can trigger side effects such as throat infection.

"Dry powder inhalers can theoretically get 80 per cent of a drug to the lungs because the particle size can be made exactly right, at less than five microns," says Rick Fuller, director of respiratory medicine at Glaxo Wellcome, one of the world's biggest specialists in asthma drugs.

Critics argue that inhalation will never work for materials that must be delivered in ultra-precise doses

The race is now on for each company specialising in asthma to have its own DPI. Sweden's Astra was one of the first and more than 10 others are in the pipeline.

While asthma therapy is concentrating on such incremental improvements in inhalers, some research scientists are turning to diseases other than asthma.

Simplest to treat in principle are other lung conditions. Antibiotic inhalers may be able to treat lung infections, especially those that arise from Aids.

More dramatic are the likes of insulin inhalers that could replace diabetics' regular injections. This line of research could even lead to general purpose technologies that encapsulate almost any molecule that needs to get to the bloodstream.

The insulin research is most advanced at Inhale Therapeutics of Palo Alto, California. It has designed a portable nebuliser (see picture) to be used with insulin and is developing the combination with Pfizer, the US drugs company.

It promises a revolution in the lives of diabetes sufferers who need regular injections of insulin, which cannot be swallowed in pill form because it would be digested in the stomach before reaching the bloodstream. Many diabetics spend their lives injecting themselves. This is more than just inconvenient. Injections create a rapid peak of insulin in the blood, which stresses the internal organs and entails the risk of an overdose.

Robert Chess, Inhale's chief executive, says inhaled insulin offers a more gradual increase in the level in the blood, reducing the risk of an overdose.

The problem is that it is not enough simply to get the insulin to the lungs – it must get through the lung walls into the bloodstream. But unlike nicotine, for example, insulin is a big molecule that cannot move through normal lung linings. To have a chance of being effective the insulin particles must reach the deep lung where the wall is thinnest.

Chess says his company's inhaler design creates extremely small particles, between one and five microns across, which are small enough to reach the deep lung if the patient breathes in slowly and deeply. This remains to be seen. The inhaler is now entering Phase II clinical trials, the first to be able to measure its effectiveness.

Inhale is also in the early stages of research into treating some other conditions, such as in osteoporosis and hepatitis, with inhaled drugs.

The company is not alone in trying to extend the remit of inhaled drugs. The idea is being taken to its logical conclusion by Andaris, which is developing a system to surround almost any drug in a protective coat to create particles small enough to get into the deep lung. The company claims it will be able to create dry powder inhalers for delicate materials including proteins, hormones, enzymes and even genes.

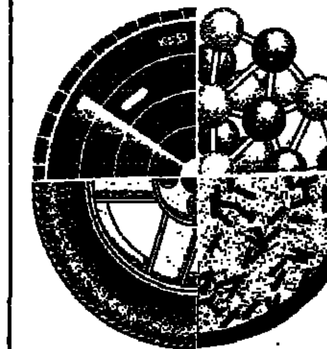
However, the technologies proposed by companies such as Inhale and Andaris may never come to fruition. They are in the early stages of development and are several years away from being brought on to the market.

Critics argue that inhalation will never work for proteins and other materials that must be delivered in ultra-precise doses. Alec MacAndrew, a drug delivery specialist with the PA Consulting Group, says even asthma-drug companies have not yet come to terms with how variable each patient's inhalation technique is. Dosing is easily affected by where the patient's tongue is, for example.

But the success of drug inhalation in the treatment of asthma is a powerful lure to those keen on extending the idea to other fields. The medical world is accustomed to treating most diseases by syringe and tablet. It may, one day, believe there is another way.

Next month the series considers drug delivery through the skin.

Worth Watching · Vanessa Houlder



Keeping track of heart rhythm

A new technique for detecting heart rhythm disturbances – a condition responsible for up to 50,000 sudden deaths every year – has undergone the first trials involving humans.

The procedure involves placing a probe in the heart chamber, which maps out electrical waves from 2,500 points of the chamber. The data are represented graphically, allowing doctors to identify and locate rapidly an area of abnormal electricity activity.

The trials, which took place at St Mary's Hospital in London, follow 12 years of preliminary research. The technique was originally developed in the US.

St Mary's Hospital: UK, tel (0)171 725 6666; fax (0)171 725 6200.

Internet on television

Surfing the Internet is no longer confined to users of personal computers, following the introduction of a television-based system by Philips, the Dutch electronics manufacturer.

Its Internet connection system is designed to be used in conjunction with a CD-i player, which plugs into the television and plays audio and video CDs. The system uses an on-screen keyboard and cannot download files, sound or video.

It has tried to pitch its system at the mass market by pricing the CD-i player and connection system at about £500, far less than the cost of getting access to the Internet using a PC.

The Internet connection kit, which contains a modem to plug into a CD-i player, a telephone cable, a telephone adapter and the CD-Online disc, costs £99.

The service is expected to be extended to other European countries during 1996.

CD-Online: UK, tel (0)171 636 7396; fax (0)171 636 7949.

Nanotubes grow and grow

A novel method of synthesising carbon nanotubes, the microscopic, hollow carbon fibres that have great strength and intriguing electrical properties, has been developed by scientists at the University of Sussex.

Scientists at the School of Chemistry and Molecular Sciences produced some nanotubes that were more than 500 nanometres long when an electric current was passed between carbon electrodes in molten lithium chloride.

The scientists believe the formation of nanotubes during electrolysis could lead to continuous methods of nanotube production.

University of Sussex: UK, tel (0)1273 606755; fax (0)1273 677196.

Recycling rates rise in circuit boards

NEC, the Japanese electronics company, has developed a technique that increases the proportion of recyclable material on printed circuit boards from 20 per cent to 70 per cent.

It has developed new machinery that would enable solder, glass fibre and epoxy resins to be extracted, in addition to the gold and copper already recycled. The circuit board is heated using infra-red radiation and the components dismantled. It is then pulverised and separated into a copper-rich powder and a glass fibre resin powder.

The process is expected to be introduced at NEC plants within the next three years.

NEC Europe: UK, tel (0)171 353 4383; fax (0)171 353 4384.

Sewers repaired without digging

A South Australian company has developed a system for repairing crumbling sewer systems, that avoids digging up the city streets.

Rib Loc, an Adelaide-based business worked in conjunction with the University of Adelaide to design a system of spirally wound plastic pipes. Once inside the sewer, the pipes can be twisted and expanded to make a close fit against the walls.

Rib Loc: Australia: tel 83497477; fax 83332900.

هكذا من الأصل

ARTS

Cinema/Nigel Andrews

Murder spices up the fame-game

TO DIE FOR
Gus Van Sant

HAUNTED
Lewis Gilbert

UNDER SIEGE 2
Geoff Murphy

THE LIFE AND EXTRAORDINARY ADVENTURES OF PRIVATE CHONKIN
Jiri Menzel

39TH LONDON FILM FESTIVAL

Murder is a serious business, which is why it is so popular in comedies. We can let the air out of the subject, or play at doing so, while also seeing it for what it is: something dark, mean and desperate that only the interestingly deranged attempt.

A month after Britain's *The Young Poisoner's Handbook*, where we giggled along with a teenage toxicologist, comes America's *To Die For*, where ambitious TV weatherwoman Nicole Kidman wants to kill boring stay-at-home husband Matt Dillon. This marriage was made in hell, while the one between screenwriter Buck Henry (*Heaven Can Wait*) and director Gus Van Sant (*My Own Private Idaho*) was made in cinema paradise.

Take a beautiful young woman obsessed with small-screen fame; mischievously showcase her prattling pretensions – Suzanne Stone, so named, could be New Hampshire cousin to last week's Cher in *Clueless*; and then construct a comical counterpoint between her gleaming careerism and the behind-scenes blunderings of her and her teenage hitpersons.

These are two boys and a girl that Suzanne has borrowed from high school to star in the video documentary she hopes will be her calling card to higher things. Doting on their new dominatrix, skinny Jimmy (Joaquin Phoenix) and burger-munching Russell (Casey Affleck) agree to co-plan the death of her Mr Wrong; while plain, pudgy Lydia (Allison Folland) longs for – and finally gets – her own TV spot as a dieting consultant.

The aspiring husband-killer herself knows that even if she loses she wins. No arrest means no jail. Arrest means lashings of TV and tabloid attention.

Andy Warhol famously promised a future where everyone would be famous for 15 minutes. *To Die For* is all about fame without responsibility: the prerogative of the media harlot through the ages. This is an America – or a world – where you are barely alive if you cannot see your own reflection in the mirror of celebrity. "If everybody was on TV all the time, everybody would be a better person," stumbles Lydia, parroting the gospel according to her guru/heroine.

Suzanne's own sensibility is entirely taken up with two notifiable diseases: image-itis and telly-itis. Her brain is a TV studio. She interrupts a quarrel at her parents' home with "Cut, cut, cut!"

And she cultivates a cathode-ray classiness in her clothes: all brisk colours and spotless photogenic tailoring. Recalls a besotted witness in the framing sequence, "She was like Lady Di before she dumped the Prince and went nudist."

The media may seem a soft target for satire. But Gus Van Sant is a director we know for his pantheist surrealism and he does not so much laugh at Suzanne as take up delighted living space in her mind. Point-of-view shots are skewily baroque (iris-ins, zooms), while the film's shapes and colours are Early Almodovar. Bold primaries, giant checks, play-school camera set-ups.

Kidman herself is a joy. Self-delusion is hard to play and easy to overplay. But she gives Suzanne a loony serenity and a cluster of give-away tics: those mini-second looks of shock, confusion or dismay that show a human heart still beats beneath the plastic TV goddess.

The next role in this fast-rising actress's career is the lead in Henry James's *The Portrait of a Lady*, being filmed by Jane *The Piano* Campion. Suzanne Stone would be proud. All else apart, Kidman seems to have stepped right over the temporarily prone body of her once prominent husband, a certain Tom Cruise . . .

Hooked on television: Nicole Kidman's murderous career woman in 'To Die For'

"We're all mad, you know," says Anthony Andrews in *Haunted* as one of three siblings who may not be, in all senses, "quite there." But then nothing is quite there in this thin-blooded British ghost drama, torn from a James Herbert novel by veteran director Lewis Gilbert (of *Educating Rita*, *Shirley Valentine* and too many Bond films). Not the plot; not the script; not the rheumatic camerawork.

American parapsychology professor Aidan Quinn goes spookhunting in a 1920s country home, only to find that the living are dead, the dead are living and the dialogue is lost in the empty spaces between. By the time Sir John Gielgud wanders in as a possibly dead, possibly alive doctor, the audience has given up taking the cast's pulse and is anxiously monitoring its own.

*

Under Siege 2 restores normal heartbeat. The plot is amiably crackers, as befits the sequel to a film in which a cook saved the world from the nuclear terrorists who hijacked his ship. Now the cook does the same, substituting train for ship.

The villain is Eric Bogosian, a Nasa-sacked mad scientist who has won control of the weapons satellite he once designed. The hero is Mr S: a pudgy-jawed lump of beefcake with a permanently knitted frown and a whispery pseudo-Eastwoodian voice. It all ends in screams, crashes, coloured lights and rescue helicopters: but not before a pleasant superflux of dotty dialogue and trans-American scenery.

I wish Mr Seagal or his scriptwriters had jumped into *The Life and Extraordinary Adventures of Private Chonkin*. Czech director Jiri Menzel once made *Closely Observed Trains*, a charming comedy about love and bureaucracy among terrorist-free locomotives. But this whimsy about a Russian soldier sent to a remote village to guard a downed fighter plane needed more wit, tension and direction. In their place are two hours of errant slapstick and giggly ensemble acting, with too many jokes about vodka, surely, for even Russian tastes.

*

Never mind: the 39th London Film Festival is now taking advance bookings. From November 2 to 19, it will offer the usual torrent of celluloid, and if you wade in unprotected you will be swept away. I offer readers the provisional life-jacket of a personal Top Eight.

Lars Von Trier's *The Kingdom*: 280-minute surreal soap opera, made for TV and poised between *Twin Peaks* and Kafka. Joao De Monteiro's *God's Comedy*: tenderly bizarre tale of love, sex and ice cream from Portugal. Carlos Carrera's *No Return Address*: ditto from Mexico, substituting food for ice cream. Jafar Panahi's *The White Balloon*: crystalline Iranian tale of a little girl, a lost banknote and a bewildering city – shown at Cannes this year to instant cult status. Yim Ho's *The Day the Sun Turned Cold* and Stanley Kwan's *Red Rose, White Rose*: two haunting Hong Kong movies dealing with love, death and obsession. Claude Chabrol's *La Ceremonie*: his best murder thriller *cum* bourgeois satire in years. Michelangelo Antonioni's *Beyond the Clouds*: the return of the Master, with a quartet of love stories as multi-coloured and sometimes baffling as a Rubik cube.

There are also special screenings encompassing the ancient and modern – from Scorsese's *Casino* and Woody Allen's *Mighty Aphrodite* to Murnau's restored silent classic *Sunrise* – and guest lectures from such as Spike Lee, Pedro Almodovar and Sir John Mills.

Enjoy.

Theatre

Tragedy brings rewards

In Stratford-upon-Avon, at The Other Place, the Royal Shakespeare Company is essaying Greek tragedy again. *The Phoenician Women* is a late work of Euripides, last of the three great classical tragedians, written when the Athenian League was undergoing terminal stress and the fate of Athens was in doubt. The play is set in ancient Thebes, but everyone in its original audience would have recognised the parallels; and it may be that Katie Mitchell, the director, has modern Balkan troubles equally in mind.

Though *The Phoenician Women* is familiar only to classicists now, we know most of the plot already if we know *Oedipus Rex* and *Antigone*. With the visiting Phoenicians, we are watching the final workings out of the curse of Oedipus. Shamed and self-blinded, he is immured in the Theban palace; his sons by his wife and mother Jocasta – Eteocles and Polyneices – are in dispute over the kingship, and Polyneices has brought up Argive forces to storm the city. The action is a series of disasters and laments, concluded rather than resolved by the departure of Oedipus to seek expiation at Colonnos.

Mitchell has staged it very plainly, in simple dress (designs by Vicki Mortimer and Rae Smith), with brief choral outcries and dances. The music, with an eastern Mediterranean folk-tang, is by Claire Hughes – pointedly ethnic and effective.

Most of the principals speak in soft regional accents: presumably to "personalise" them, though it is disconcerting then to find the Polyneices and Eteocles reappearing as the messengers who report their own fatal duel. (Ancient Greek drama went in for doubling too, of course, but there each character had his own mask, his *persona*.)

In the close quarters of the little theatre, it is all moderately gripping, and by the end bleakly moving. The tragedy is most immediately Jocasta's, and Lorraine Ashbourne gives her a blunt, homely air, striving to make everyone see sense when they are all hell-bent on strife and ruin. As her tough brother Creon, Michael Gould is blunt and sour, crumbling only when his young son too is caught up in the catastrophe – a touching performance by Daniel Goode.

There is a fragile, anxious Antigone by Lucy Whybrow, an archly pettish Teiresias from Peter Copley and a last moment appearance by Antony Byrne as the wretched Oedipus – ground down and detached. Miss Mitchell has contrived a reasonable ending for the piece, which has come down to us in an evidently incomplete text. The translation is by David Thompson's.

As austere entertainments go, this is a rewarding one, and not only for Euripideans keen to see a rare play on the stage. The modern parallels hardly bear thinking about, but it is hard to escape them.

David Murray

At The Other Place, Stratford-upon-Avon, until January 27.

Opera/Stephen Pettitt

Glyndebourne's gripping yarn

Those who sniff at the elitism of opera should have been at the opening night of Benjamin Britten's 1971 television opera *Owen Wingrave*, at Glyndebourne last week. Rows of schoolchildren, of the age most likely to scoff, sat around me. Every one of them was gripped by Robin Phillips's production, the only entirely new one of the three in Glyndebourne Touring Opera's season, just as that first television audience of a quarter of a million presumably was. Elitism indeed.

Opera is important because it helps us think. And thinking for oneself is the subject of *Owen Wingrave* which, like *The Turn of the Screw*, is based on a ghost story by Henry James. Owen, born into a family of proud warriors willing to die for queen and country, realises that war is herd instinct at its basest and will have no part of it. The question is who has the greater courage, he who follows blindly the path to patriotic sacrifice or he who thinks about his beliefs and acts on them, declaring himself an outcast? The composer, the perennial outcast, leaves us in no doubt as to the answer; there is no irony in Owen's death at the hands of the family ghosts.

Translating an opera for television into the theatre has its problems, especially as Britten exploited televisual techniques of intercutting to the full. Phillips overcomes them with a revolving set, a straightforward stairs-and-platform arrangement designed by Hisham Ali which, aided by Mark Henderson's ghostly grey-tinged lighting, provides all the possibilities for transformation that the work demands. Embellished with Ann Curtis's costumes, the opera is presented as a period piece, and rightly so, for Wingrave is frozen in its own time, and its characters are frozen in their attitudes. Nothing, nobody is transformed.

The singing and acting present the characters as the stereotypes they are. Neil Jenkins's gout ridden, cantankerous Sir Philip Wingrave blusters tetchily at the renegade. Ruth Peel's Kate, Owen's only weakness, redoubles her scornful haughtiness while Elizabeth Gale makes the most of her mother Mrs Julian's patent opportunism.

Steven Page's and Eiddwen Harrhy's Mr and Mrs Coyle cleverly mix parental concern and admiration with bafflement; Peter Evans's Lechmere lacks both sensitivity and a grey cell or two, in the way that military people often do, in his enthusiasms for war and later for the revolting Kate. And William Dazeley's Owen combines a winning vulnerability with his resoluteness, expressing those traits in a supple, appealingly young voice to help convince us of his pacifistic cause.

Under Ivor Bolton's direction the GTO Orchestra sensitively shapes Britten's beautiful, powerful, score, which goes way beyond the deft theatricality that was virtually all I had previously seen in it.

Of the two revivals, one is of Deborah Warner's notorious 1994 production of *Don Giovanni*, revived by John Ramster and designed by Hildegard Bechtler and Nicky Gillibrand. I have no problem with the basis of Warner's staging, nor with her reinterpretation of Leporello as more a hard-headed henchman than a comically servile valet. Giovanni's death, through being sucked into the middle of his huge dining table, is rather neat. But Warner has failed to realise that this opera is an intimate one. She exaggerates the space, makes the characters remote, rejects the stifling closeness that is the one essential of all of Mozart's Da Ponte operas, the one thing that enables characters to react and reveal their most subtle selves. Instead we get large, static gestures, large, mainly static scenery.

Marco Guidarini mercifully conducts without matching that heaviness of touch. The cast is reasonable. Although there were problems with both Giovanni Furlanetto's Giovanni and Wyn Pencarreg's Masetto on the first night – too much forcing of tone, too little sensitive shaping of phrase – Jamie MacDougall gives a fine Ottavio and Susan Gritton's Zerlina is radiant.

The singing is better in Aidan Lang's 1991 *La Boheme*, given by a relatively youthful cast that suits the opera better than the garret – its stainless steel looks give it a curiously Conran-like touch. Francesco Piccoli's complex but essentially instinctive Rodolfo, Anne Dawson's Mimi – not the most delicate looking in the world, but no matter – Paul Whelan's bearish Marcello and Susannah Glanville's tenderly whorish Musetta are responsible. Louis Langree wrings every last tear from the score.

After this home run, in which Glyndebourne's summer formalities are suspended, the company visits seven centres around England, mainly thanks to sponsorship by the Royal Bank of Scotland. Touring opera is the lifeblood of the artform in a country which fails to support resident companies in its cities. Ways must be found to ensure its longevity, so that opera does not become what its detractors think it already is: the province only of the economically privileged.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

GALLERIES
Rijksmuseum Tel: (020) 673 2121
● The Portrait: drawings, prints and photos spanning some 500 years. Artists include Van Gogh, Rembrandt and Gaugin; to Oct 29
Stedelijk Tel: (020) 573 2911
● 100 Years: three exhibitions to celebrate 100 years of the Stedelijk. On show is art from the Regnault Collection which includes the likes of Kandinsky, Chagall and Chirico plus specially commissioned work for the centenary; to Oct 29
OPERA/BALLET
Het Muziektheater Tel:(020) 551 8922
● Moses and Aaron: by Schoenberg. A new production directed by Peter Stein and conducted by Pierre Boulez. Soloists include David Pittman-Jennings as Moses and Chris Merritt as Aaron; 8pm; Oct 28

■ ANTWERP

OPERA/BALLET
De Vlaamse Opera Tel: (03) 233 6685
● The Marriage of Figaro: by Mozart. A new production directed by Guy Joosten and conducted by Peter Erckens. Soloists include Boje Skovhus, Gillian Webster and Stephen Gadd; 7.30pm; Oct 28, 31

■ BALTIMORE

THEATRE
Center Stage Tel: (410) 685 3200
● Don Juan: by Moliere in a translation by Christopher Hampton and directed by Irene Lewis; 8pm; to Nov 5

■ FRANKFURT

CONCERTS
Alte Oper Tel: (069) 1340 400
● City of Birmingham Symphony Orchestra: Sir Simon Rattle conducts Beethoven's "Symphony No.1" and "Symphony No.3"; 8pm; Oct 31
● State Orchestra of Dresden: Giuseppe Sinopoli conducts Busoni, Schoenberg, and Tchaikovsky; 8pm; Oct 30

■ LONDON

CONCERTS
Royal Opera House Tel: (0171) 304 4000
● Manon: directed and choreographed by Kenneth Macmillan to the music of Massenet and conducted by Barry Wordsworth; 7.30pm; Oct 27, 30; Nov 1, 2
● Swan Lake: choreographed by Marius Petipa and Lev Ivanov. Vikotor Fedotov/Anthony Twiner/ Barry Wordsworth conducts Tchaikovsky; 7.30pm; Oct 26; Nov 3
GALLERIES
Hayward Tel: (0171) 261 0127
● Art and Power: examination of the relationship between art and politics in 1930s and 1940s Europe where culture became an arena for the struggle between communism and fascism; from Oct 28 to Jan 21
OPERA/BALLET
English National Opera Tel: (0171) 632 8300
● Rusalka: by Dvořák. Conducted by Richard Hickox and directed by John Lloyd Davies. Soloists include Susan Chilcott, David Maxwell Anderson and John Connell; 7pm; Oct 27
● The Barber of Seville: by Rossini. Conducted by Jane Glover and directed by Henry B. Little from the original direction by Jonathan Miller. Soloists include Alan Opie, Jean Rigby/Fiona James, Charles Workman and Gordon Sandison; 7.30pm; Nov 2
● The Fairy Queen: by Purcell. A new production conducted by Nicholas Kok and directed by David Pountney. Soloists include Yvonne Kenny, Janis Kelly, Mary Hegarty and Yvonne Barclay; 7.30pm; Oct 28, 31; Nov 3
Royal Opera House Tel: (0171) 304 4000
● Götterdämmerung: by Wagner. A new production directed by Richard Jones and conducted by Bernard Haitink. Soloists include Deborah Polaski, Vivian Tierney, Jane Henschel and Judith Howarth; 4.30pm; Oct 28 (4pm), 31
THEATRE
National, Lyttelton Tel: (0171) 928 2252
● La Grande Magia: by Edouardo de Filippo in a translation by Carlo Ardito. Richard Eyre directs Alan Howard and Bernard Cribbins in de Filippo's comedy; 7.30pm; Oct 30, 31; Nov 1 (2.15pm), 2

■ LOS ANGELES

CONCERTS
Dorothy Chandler Pavilion Tel: (213) 365 3500
● Los Angeles Philharmonic: with violinist Joshua Bell. Franz Welser Möst conducts Hindemith, Sibelius and Shostakovich; 8pm; Oct 26, 27, 28 (2pm), 29 (2.30pm)

■ MADRID

GALLERIES
Fundación Arte y Technologica Tel: (041) 522 6645
● Incorporeo: installation by Daniel Conogar; to Oct 29
Prado Tel: (91) 420 28 36
● Francisco Bayeu (1734-1795): 72 sketches by the 18th century artist who was responsible for many of the frescos in the Royal Palace of Madrid; to Oct 29

■ MUNICH

OPERA/BALLET
Bayerische Staatsoper Tel: (089) 22 13 16
● Anna Bolena: by Donizetti. Conducted by Fabio Luisi and produced by Jonathan Miller. The cast includes Edita Gruberova, Vesselina Kasarova, Anne Salvan and Roberto Scandiuzzi; 7pm; Oct 30; Nov 2

■ NEW YORK

CONCERTS
Carnegie Hall Tel: (212) 247 7800
● Pittsburgh Symphony Orchestra: with flutist James Galway. Lorin Maazel conducts Gould, Mercandate, Maazel and Bartok; 8pm; Oct 27
● Pittsburgh Symphony Orchestra: concert performance of Wagner's "Tristan and Isolde" with conductor Lorin Maazel. Soloists include Carol Yahr, Heinz Kruse amd Falk Struckmann; 8pm; Oct 28
OPERA/BALLET
New York City Opera Tel: (212) 307 4100
● Carmen: by Bizet. Conducted by Andreas Delfs and produced by Jonathon Eaton; 8pm; Oct 28
● La Bohéme: by Puccini. A new production conducted by Christopher Keene and directed by Graziella Sciutti; 8pm; Oct 29 (1.30pm); Nov 2
● Temple of the Golden Pavilion: by Mayuzumi. A new production directed by Jerome Sirlin and conducted by Christopher Keene. Based on a novel by Yukio Mishima in an English translation by Christopher Keene; 8pm; Nov 3
● Turandot: by Puccini. Conducted by Guido Ajmone-Marsan and produced by Jonathan Eaton; 8pm; Nov 1

■ PARIS

GALLERIES
Centre Georges Pompidou Tel: (1) 42 77 12 33
● Hybert, Quardona and Roudenko-Bertin: running in conjunction with "Feminine-Masculine", three artists of different styles produce works that demonstrate the relationship between sex, the body and sexual differences; to Jan 1
Centre National de la Photographie Tel: (1) 53 76 12 31
● Martin Parr: British photographer uses motorists and tourism for his inspiration; to Oct 30
Galerie Schmit Tel: (1) 42 60 36 36
● "La Femme": from Corot to Chagall. 60 paintings dating from 1824-1949 by artists such a Degas, Gaugin, Picasso and Renoir; to Feb 28
OPERA/BALLET
Opéra National de Paris, Bastille. Tel: (1) 47 42 57 50
● Les Variations D'Ulysee: a new production choreographed by Jean-Claude Gallotta to the music of Jean-Pierre Drouet; 7.30pm; Oct 26, 29 (3pm)

■ WASHINGTON

CONCERTS
Kennedy Center Tel: (202) 467 4600
● National Symphony Orchestra: Sir Neville Marriner conducts Bartók, Mozart, Nelson and Beethoven; 8.30pm; Oct 26, 27, 28
● Pittsburgh Symphony Orchestra: with pianist Hae-Jung Kim. Alexander Dmitriev conducts Tchaikovsky's "Piano Concerto" and "Symphony No.4"; 8.30pm; Oct 30
THEATRE
Ford's Theater Tel: (202) 347 4833
● Elmer Gantry: Michael Maggio directs this revival of the Pulitzer Prize-winning novel by Sinclair Lewis with libretto by John Bishop and music by Mel Marvin; 7.30pm; to Oct 29

WORLD SERVICE
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EUROPEAN CABLE AND SATELLITE BUSINESS TV
(Central European Time)
MONDAY TO FRIDAY

NBC/Super Channel:

07.00
FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 14.00 of European business and the financial markets

17.30
Financial Times Business Tonight

Midnight
Financial Times Business Tonight

Traumas of Russia's triple revolution

BOOK REVIEW

AN EMPIRE'S NEW CLOTHES
By Bruce Clark
Vintage, £7.99, 329 pages

George Kennan, the perceptive US diplomat, once wrote to the US State Department of the suspicion "latent in every Russian soul... that the term 'Russia' does not really symbolise a national society destined to know power and majesty, but only a vast unconquerable expanse of misery, poverty, inefficiency and mud".

There is a deep paradox at the heart of the way in which Russians look on themselves and their country. Their history is one of despotism, police terror, economic backwardness, imperial adventure and foreign occupation. Russians see little reason why the depressing cycle should be broken. And yet they rightly think that theirs is a great country.

So they have made a virtue of necessity. As Bruce Clark, diplomatic correspondent of the Financial Times, puts it, they believe "any worthwhile enterprise should involve suffering on a gigantic scale". Over the centuries they have struck a Faustian bargain with their leaders: "I will make you *great if you allow me to dispose* of you as I will." Even today some elderly Russians deploy this argument to justify Stalin, and confuse "greatness" with brutality.

Few Russians shared the west's euphoria about former Soviet president Mikhail Gorbachev and *perestroika*. They were too afraid that it would end, as so many attempts at liberal reform in Russia have ended, in tears and bloodshed. Some of them believed that, by truckling to the west, Gorbachev and Eduard Shevardnadze, former Soviet foreign minister, were naive and even treacherous.

Most now accept that the Soviet system could not have gone on as it was. But in the final collapse, the Russians lost their economic system, their political system and their empire: a triple revolution. Even an amateur psychologist knows that people undergoing such traumas do not always behave well.

Clark is at least as pessimistic as any Russian. The central paradox of his book is this: contrary to what many Russians and foreigners think, economic reform in Russia is working. But instead of guaranteeing that Russia will become a liberal, co-operative democracy, economic success is making it possible to rebuild the old autocratic, imperial Russian state. This is why President Boris Yeltsin – a Russian patriot and a brilliant intuitive politician with a strong instinct for the uses of power, but not much of a democrat and still less of an economist – has chosen to back the liberal economists whenever the chips have been down. But as the Russian state reasserts itself at home and abroad, "the last vestiges of the democratic procedure could be one of the first things to go".

Clark's belief in Russian economic success has recently become a common, if unstable, orthodoxy among many western observers. That *success may not be finally* guaranteed, and it is certainly not pretty. It bears heavily on the underprivileged. Many of the new entrepreneurs are brash, vulgar and criminal. But a growing number of their younger colleagues are professional, hard working and sophisticated.

The brilliant young economists whom Yeltsin brought into government are driving the reform with determination and cunning. It is hard to believe that the economic revolution can now be halted.

The prospects for the political revolution are less certain. Evidence from elsewhere undermines the comfortable belief that a liberal economic system needs democracy if it is to succeed. The Russian tradition is indeed unpromising. The idea that the law should reign superior to the secular power has never found a natural resonance in the minds of Russia's rulers or its people.

Yet no country is doomed simply to replicate the worst features of its history. The Gorbachev/Yeltsin revolution began 10 years ago. It has done surprisingly well in such a brief period, and it is too early to pass a final judgment on its ultimate fate. Fundamental things have changed. Spy satellites, free media, modern telecommunications and mass tourism make it impossible today for Russian governments to disguise their weaknesses by a menacing secrecy. President and parliament have been elected for the first time, and the fragile institutions of a democratic Russia are beginning to work. Economic success will underpin them: but it, too, cannot endure without the eventual ordering of markets and the law.

Of course, many things will go wrong. The mood will lurch yet again. Excitements already on the cards – a banking crisis, a surge by the communists at the December elections – would doubtless confirm determined pessimists in their belief that the enterprise can only fail. But excessive pessimism has been no better than excessive optimism as a guide to recent events in Russia.

Which leaves the legacy of empire. The Russian post-imperial problem is one of unprecedented complexity. It is *not surprising that the fate of* Russians now living abroad, instability on the borders and the sense of humiliated greatness should all figure in Russian domestic politics: there are parallels enough elsewhere. The east-west confrontation could never have been transformed overnight into a relationship based on shared values: but western policy has found only a shaky balance between accommodation, clarity and firmness.

Russians complain, with some justification, that in all this the west judges them by double standards. That Russia will remain great is beyond a doubt. But only the Russians can decide what kind of greatness they want. Or as Shevardnadze once put it: "Who are we and what do we want to be: a nation which is feared, or a nation which is respected?"

Rodric Braithwaite

Sir Rodric was British ambassador in Moscow between 1988 and 1992

ECONOMIC VIEWPOINT

Best leave nearly well alone

By Samuel Brittan

Economic analysts love saying that the situation is unusually difficult to read. In fact the UK economy is slightly easier to read than usual.

An executive summary would say that output is growing slightly less well than predicted or hoped, but that inflation is slightly higher. As the two qualifications point in opposite directions, the best recipe is to leave well alone.

This means in practice that base rates should not be changed and that so-called tax cuts – which are just slight easements in a rising tax burden – should be limited to what can be saved from public spending economies.

All the signs are that the Treasury mandarins – who never regard macroeconomic policy as a resignation issue – have agreed what to tell Mr Kenneth Clarke, the chancellor. But it will not be straightforward to say whether their advice has been followed. Judging by past form, public spending curbs will be brought about by adjusting the contingency reserve, not raising public spending limits in line with inflation, and the like. Everything will depend on how strictly these curbs are enforced in a pre-election year.

On base rates, there is unlikely to be a push for change in either direction when the chancellor meets Mr Eddie George, the Bank of England governor, next Wednesday. The pressure will come after the Budget, *especially if that is well received by* the financial markets.

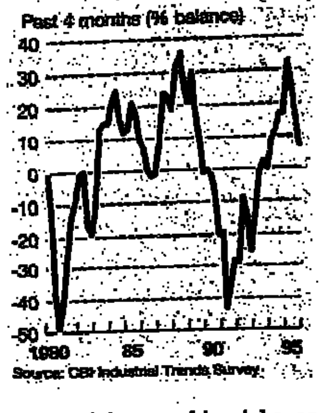
British inflation is in fact exaggerated by the indicators which receive most attention. Even the underlying rate of 3.1 per cent, in terms of which the official target is expressed, and which excludes mortgage interest payments, is misleadingly high. The RPI has also been swollen by government action in raising indirect taxes. RPIY, which excludes this effect, is still only 2.6 per cent above a year ago. More attention should also be paid to the GDP deflator, which can be regarded as a measure of home costs, including profit margins. This had on the last count risen only 1.1 per cent above the previous year.

UK economy: modest GDP rise

GDP at constant factor cost	Index (1990=100)	Percentage change on previous quarter	Percentage change on a year earlier	excluding oil and gas: Percentage change on previous quarter	excluding oil and gas: Percentage change on a year earlier
		Seasonally adjusted			
1994 Q1	101.9	0.9	3.3	0.8	2.8
Q2	103.2	1.4	4.3	1.3	3.7
Q3	104.2	0.9	4.7	0.9	3.7
Q4	104.9	0.7	4.0	0.7	3.9
1995 Q1	105.5	0.6	3.7	0.5	3.5
Q2	106.1	0.5	2.8	0.7	2.8
Q3	106.6	0.5	2.4	0.5	2.4

Source: CSO

Output growth slows



Source: CBI Industrial Trends Survey

The worst indicator that the inflation pessimists can point to is the 5.1 per cent increase in producer output prices. But we all too easily forget that industrial production is only between a quarter and a fifth of total output. The outstanding feature of the present modest upturn is how resistant everyone along the line has been to the normal passing on of cost increases. Instead of accepting higher prices tamely, and then pressing for a pay increase, people are shopping around for best value. More and more businesses are prepared to cut prices to attract customers. Notable cases have been the crumbling of retail price maintenance in the book trade and the price war among drug manufacturers.

Economists brought up on the traditional British wage price spiral will tend to dismiss some of these phenomena as trivial compared to the behaviour of pay. In fact pay rises have been sensationally moderate. Goldman Sachs has, with commendable honesty, disclosed that its normal forecasting equation would show earnings at 5.8 per cent above a year ago, some 2.5 percentage points higher than they actually have been.

A clue is provided by the proportion of "inactive" working-age adults, who may be prematurely retired, or discouraged from seeking jobs, as well as registered unemployed. This is still much higher than before the recession, and – in contrast to unemployment – has dropped only slightly with recovery. Surely these potential re-entrants have helped to restrain pay.

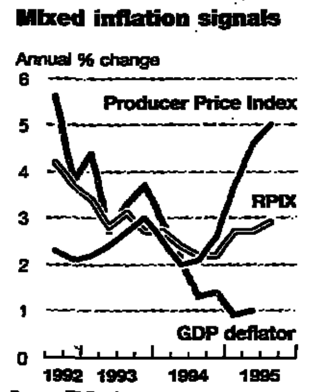
Inflationary pressures cannot just be read off from macroeconomic or monetary data. A study by the US Federal Reserve shows that three quarters of its dollar notes are held abroad, for use for instance as a medium of exchange in the former communist countries. The same could well apply to D-Marks. In the UK most of the increase in broader measures of money, which include bank deposits, can be attributed to the corporate sector, which tends to increase its bank balances for activities such as takeovers rather than for purchases of goods and services.

Meanwhile those who urge expansionary financial policies say that real GDP growth is the lowest for two years. This is misleading. Growth is best measured excluding the erratic fluctuations produced by oil and gas. On this basis real GDP has grown by somewhere between 0.5 per cent and 0.7 per cent in each of the last four quarters. There is thus an annualised growth rate of 2.4 per cent. This is roughly in line with highly fallible estimates of the growth of productive capacity; and indeed capacity utilisation is little changed in the latest survey by the Confederation of British Industry. The same picture of moderate growth is produced by the CBI survey question on orders – answers on "optimism" are highly volatile and political.

Nominal GDP has been running for two or three quarters some 1½ percentage points below the 5 per cent annualised rate consistent with non-inflationary growth. But it would be fine-tuning gone mad to engineer a monetary relaxation on the basis of so moderate a gap over so short a period. If the mainstream view is right, the British economy, like the world economy, is mainly suffering from an unwanted accumulation of stocks, and when business has reduced its inventories the growth rate should adjust upwards without too much additional stimulus.

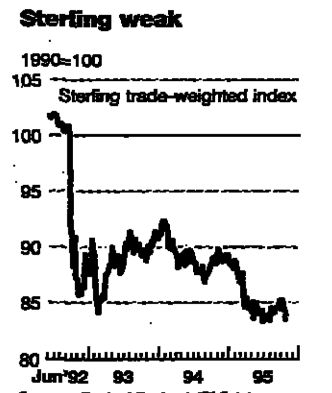
If the mainstream view proves over-optimistic, the policy adjustments should be led by countries with excessively strong currencies such as Germany, and followed by the countries which tie their currencies to the D-Mark. The UK, whose currency has had a substantial further fall since its post-ERM devaluation and is now near an all-time low, is in no position to take a lead.

Mixed inflation signals



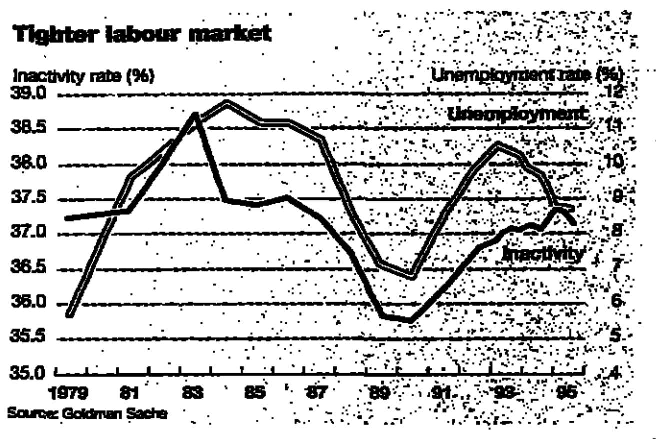
Source: FT Extel

Sterling weak



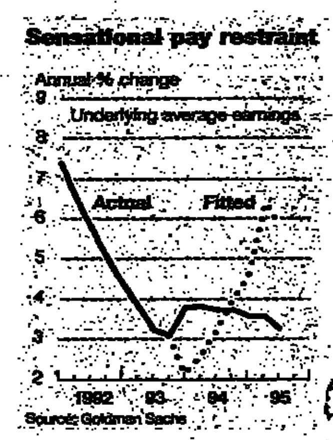
Sources: Bank of England, FT Extel

Tighter labour market



Source: Goldman Sachs

Sensational pay restraint



Source: Goldman Sachs

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

European competitiveness at risk without single air traffic system

From Mr Phil Hogge.

Sir, The recent exchange of views in your pages about a single European air traffic management system (Letters, October 11 and 14/15) has provided your readers with a lively, if sometimes misleading, debate. I would like to set the record straight.

A "single system" can mean different things to different people and the leading airline associations in Europe have deliberately not provided a collective blueprint of how such a system should be run. That is for national authorities to decide.

It is wrong to assume that a central European authority which oversees a single system need be a monolithic, bureaucratic monster. It is highly unlikely that any airline would wish to face an all-powerful, monopolistic service provider. Nor would we wish to entertain the possibility of industrial action across the continent by air traffic controllers, united in a single organisation. Creating such a straw man, only to attack it, is counter-productive in the extreme.

As Mr D.J. McLauchlan rightly pointed out in his letter on October 17, what matters is that the system operates seamlessly, with national borders transparent and irrelevant to flight operations. Whether the system is seamless to national governments as well is a matter that only governments can decide.

It is equally plausible that the central European authority might be a relatively small, corporate body, empowered by governments to co-ordinate management decisions across borders and to ensure that decisions collectively agreed by national authorities are implemented in full and according to agreed timescales. We need to move away from so many costly and overlapping organisations and have a vision of a more efficient and cohesive process. At a minimum, this central authority must have the legal standing to enforce collective agreements.

National sovereignty over airspace is another straw man which has no place in this debate. Air traffic flow management is already gradually being handled on a European-wide basis, without national sovereignty being questioned, let alone jeopardised.

For the European economy to remain competitive in the 21st century, its air transport industry must also be competitive. Greater efficiency in the way Europe manages its airspace will be indispensable. For this reason, I have no doubt that a single system will evolve in Europe. The only question is whether Europe seizes the opportunity to introduce such a system now, or whether it delays until forced to react to an eroding competitive position. The decision is Europe's to take. The time for action is now.

Phil Hogge,
regional technical director – Europe,
International Air Transport Association,
Avenue Louise, 350,
B-1050 Brussels, Belgium

Further factor in choice of Claes for Nato

From Mr Aleksa Gavrilović.

Sir, In her review of the Belgian press coverage of the Willy Claes affair, Caroline Southey ("Newspapers respond in kind to Claes's criticism", October 23) writes that the Flemish daily *De Standard* accuses Nato of having made last year a "rush decision" when electing him secretary-general.

It should have been obvious that Mr Claes could not do the job without difficulty as at the time "the former minister's name had already been cited a few times" in connection with the "Augusta file".

There was a further factor which should have weighed strongly against the choice of Mr Claes. In a speech delivered in 1993 to the Alpbach European Forum in Austria, Willy Claes spoke of the difference between the "Latin" (Catholic/Protestant) tradition in western Europe and the "Byzantine" (Orthodox) culture of the east.

According to Mr Claes, because of the Byzantine influence on them, Russia, Ukraine, Belarus, Romania, Bulgaria and Serbia are "more naturally" inclined towards despotism and abuse of legal power.

He told his audience: "It is perhaps that communism can root itself more deeply within an oriental world view. It is a more Byzantine regime and approaches more closely (dare we say more naturally) the latent mentality of these areas."

He recommended that western Europe should strengthen its "ethical" values in order to resist forces from the east.

Mr Dan Plesch, director of the British American Security Information Council, said at the time Mr Claes was being considered for the Nato post: "I fail to understand why a person with such bigoted views could even be considered for such a sensitive job."

Aleksa Gavrilović,
3 Rowley Avenue,
Stafford ST17 9AA, UK

Hedging would mitigate British Gas exposure

From Ms Kathleen Tyson-Quah.

Sir, Your story "Regulator warns on gas contracts" (October 25) omitted to analyse what might be a crucial factor in assessing the importance of the "take or pay" contracts.

If British Gas hedged its forward exposure on the contracts using derivatives as the price for gas fell, then much of the projected loss may already be mitigated. If it did not, it might be argued that the failure to hedge in this day and age was itself excessive speculation.

Kathleen Tyson-Quah,
49 Lancaster Grove,
Hampstead,
London NW3 4HB,
UK

Disappointed with software

From Mr Alfredo Sarich.

Sir, You reported in your article "Windows95 opens profitable doors" (October 20) that Windows95 was without faults, and that Microsoft was not rushing to issue an update version as it normally would. Perhaps it should.

In the knowledge that all was well, as reported by my preferred daily, I asked my technical people to buy the software. Well, all is not well. In fact, very much is wrong and I have not been able to print through my HP LaserJet Series 2 printer ever since. Even the Microsoft helpline has given up after hours of online discussions with my technical people. Or, rather, I can print one font type through the LPT1.Dos. But this works only for my Word Perfect software. Others, such as Lotus and Excel, are kaput.

Just to keep you posted, we have the most standardised systems possible, Elonex machines, standard software, standard ports, standard printers and standard communications.

I am disappointed. I would not have rushed out was it not for the article I read.

Alfredo Sarich,
director,
XCOMS International SA,
54 rue d'Angoussart,
1301 Bierges, Belgium

Economies

From Mr Andrew Campbell.

Sir, John Kay's article "More competition, more consolidation" (October 20) argues that the mergers in financial services are a result of the strong buying the weak, not the pursuit of economies of scale from increased market share.

He is wrong. In financial services there are huge economies of scale to be gained in distribution, marketing and systems development that give big advantages to those with leading market shares. While some mergers may be a result of efficient managers acquiring less efficient companies, the economic driver is one of scale.

Andrew Campbell,
director, Ashridge Strategic Management Centre,
17 Portland Place,
London W1N 3AF, UK

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FINANCIAL TIMES

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Thursday October 26 1995

Franco-German give and take

Mr Jacques Chirac's first visit to Germany since becoming president of France will have been an uneasy one. After a trying few months, the German chancellor needs reassurance that the French government is as committed to projects European as it was in the days of François Mitterrand. The trouble is that Mr Kohl can offer the embattled Mr Chirac very little in return.

Mr Chirac's "go it alone" approach to French nuclear testing and the suspension of moves to lift French border controls with other European Union members have tarnished Mr Chirac's European credentials in recent months. As usual, though, the most important pressures on Franco-German relations are economic.

Mr Mitterrand's rock-steady commitment to European integration helped see him and Mr Kohl through the difficult years following German unification. Then, the Bundesbank's determination to quell inflation made for an unexpectedly lengthy – and painful – period of high German and French interest rates. By contrast, the slowing of the German recovery is now offering France the reverse benefit, of looser than expected German monetary policy in the months ahead.

This was certainly the central message of the autumn report by Germany's six main economic institutes, published on Tuesday. They now expect Germany to achieve only around 2¼ per cent growth in GDP this year, and perhaps 2½ per cent next year.

Downturn unlikely

The slowing in economic activity in recent months – which parallels that occurring elsewhere – is unlikely to presage a full-blown downturn. Monetary policy remains fairly expansionary – the more so after the surprise reductions in both the discount and the lombard rate in August. Credit growth, in particular, remains quite vigorous – a factor which will not have escaped the notice of the Bundesbank. And fiscal policy, though tight by historical standards, will loosen a little next year with the implementation of a package of family benefit increases and modest tax cuts.

Even if there is little sign of a recession on the horizon, the German recovery is clearly entering a period of stable – or even falling – interest rates rather than the rise which was so widely expected at the turn of the year. The boom in the east – which did so much to fuel inflation in the early years after unification – now seems to be maturing. This has put downward pressure on investment, particularly in the construction sector, where the six institutes expect investment growth to stall next year, after rising 7.8 per cent in 1994 and 1.5 per cent in 1995.

Greater concern

Western Germany, meanwhile, is struggling to overcome the dual burden of a rising exchange rate and a sclerotic labour market. Of these, the first poses the greater concern to the Bundesbank. The most recent bout of upward pressure on the D-Mark, unlike that which occurred earlier in the year, appears to represent a flight to German "safe havens" in response to a collection of political worries at the European periphery. The German central bank may not think it worthwhile intervening in such a messy market climate. Yet a much more substantial appreciation against the dollar, which is hovering close to its historic low against the German currency, could trigger another half-point Bundesbank interest rate cut.

Although the bank would portray any rate cut as a move to support the domestic economy, such a move would offer hope of a similar loosening of monetary conditions in France. The trouble is that investor doubts about French ability to meet the Maastricht criteria for budget deficits give the French central bank limited room for monetary manoeuvre – even with a German rate cut.

The German institutes suggested that Germany ought to ease some of the pressure on the French – and other potential members of Emu – by relaxing the Maastricht criteria a little. But a growing wave of Emu-scepticism within Germany means that Mr Kohl is in no position to offer any such thing. The choice facing Mr Chirac when he returns to Paris will be same as when he left. He must put up with continued doubts about his commitment to European integration, or change his economic policy to prove it.

Anti-migrant politics

It is no accident that Mr John Major's government has chosen the last full parliamentary session before the general election to tighten controls on asylum seekers and immigrants. Conservative party strategists know that immigration is one of the few issues where the party's policy wins its points among a disgruntled electorate. Tough new legislation can increase the salience of the issue and, the government hopes, emphasise the gap between its stance and the marginally more liberal approach of the opposition.

To that end Mr Peter Lilley, the social security secretary, has announced cuts in the benefits available to asylum seekers. Mr Michael Howard, the home secretary, has already enlisted the co-operation of other departments in tracking down illegal immigrants through checks on people seeking social security benefits, council houses, and even school places for their children.

Now Mr Howard also plans to introduce new criminal sanctions against businesses which employ illegal immigrants. His case is that most other European Union countries already do so and that employers must bear some responsibility for ensuring their workers are legally resident in the UK.

The counter-argument has been eloquently put both by Mrs Gillian Shephard, the education and employment secretary, and by a host of employer, trade union and ethnic minority groups. In a memorandum leaked earlier this month, Mrs Shephard argued that Mr Howard's proposals would discourage employers from recruiting ethnic minority staff. Facing the threat of criminal sanctions, companies would concentrate checks on black or Asian workers and might simply exclude them from consideration from employment.

Burden on business

Similar arguments have been mounted by the Confederation of British Industry, the Association of British Chambers of Commerce and the Institute of Directors. But these groups have added the second, strong, complaint that the proposed legislation would also add to the burdens on business. As Mr Tim Melville-Ross of the IoD put it, it is the responsibility of the government, not of industry, to enforce immigration policy.

Faced with such strong opposition, Mr Howard has promised to apply his proposed new rules with "a light regulatory touch". If that means anything, it means they will not be effective. But even to start down this road is to encourage racism among small employers, and further to discourage people from ethnic minorities from seeking employment. That applies also to asylum seekers, who are legally entitled to work from six months after their application is lodged. An ironic effect of Mr Howard's proposal could be to make more of them dependent on social security.

Backing away

A Conservative Central Office briefing note, leaked to The Guardian newspaper, referred also to "a designation of selected countries" (said to include Algeria, Nigeria and Sri Lanka) whose nationals would be presumed to have no valid claim for asylum. Yesterday the Home Office seemed to be backing away from this proposal, while admitting there would be "closer scrutiny of applicants who come from countries that are not regarded as subject to intense political instability and oppression".

This is hard to imagine, given the extreme scepticism with which immigration officers already approach the asylum claims even of people from countries notorious for political instability and oppression, such as Zaïre.

No industrialised country has yet devised a fully satisfactory method of preventing asylum procedures from being used to circumvent immigration controls. Britain does give more opportunities than some other countries for applicants to appeal against unfavourable decisions, with the result that many applicants do succeed in remaining in the country for years without being formally recognised as refugees.

The procedures could be speeded up if more resources were devoted to them, but natural justice would require, by way of quid pro quo, that the applications be more sympathetically examined in the first place. Unhappily, Mr Howard's policies have little to do with natural justice, and everything to do with setting an electoral trap for the opposition.

Struggle to jump green barriers

The WTO is caught between environmental concerns and boosting free trade, say **Guy de Jonquières** and **Leyla Boulton**

When 90 governments approved a United Nations ban on toxic waste exports late last month, Greenpeace, the environmental group, hailed the move as a historic breakthrough. But to many trade policy experts, and dissenting governments, it is a step in the wrong direction.

The accord aims to stop rich countries dumping hazardous substances in poor ones. However, critics say it could harm, not help, developing countries by starving their industries of raw materials recycled from imported waste, such as scrap metal and mining slurry.

The effect of the agreement, which has yet to be ratified, will depend on how the signatories define toxic waste. But the controversy it has provoked highlights a wider dilemma – how to prevent environmental regulations clashing with free international trade.

Today, World Trade Organisation diplomats in Geneva set about tackling that challenge in earnest. They are charged with recommending to next year's WTO ministerial conference whether the organisation should change its rules in response to environmental issues.

The exercise is viewed sceptically by some environmental activists, who accuse the WTO and the General Agreement on Tariffs and Trade, its predecessor, of not taking their concerns seriously.

"It was set up as a token to the environmental movement," says Ms Ana Toni of Greenpeace. "The agenda is very weak, because it looks only at environmental measures which have a negative impact on trade – not the reverse."

Yet the initiative undeniably marks a shift of attitude. Until the early 1990s, many trade diplomats refused to debate environmentalism at all. Developing countries in particular feared that doing so would encourage rich economies to use green policies as a pretext to restrict imports.

The issue was brought into focus a few years ago, when a Gatt panel ruled against a US ban on imports of Mexican tuna, fished with nets which also caught dolphins. The ruling caused an outcry in the US, which blocked its adoption.

Since then, US pressure has helped propel green issues up the multilateral trade agenda. There has also been a widespread recognition that if the WTO did nothing, many of its members' own governments might press ahead with environmental measures, regardless of global trade rules.

Dialogue is complicated by the sheer diversity of green pressure groups' concerns, which range from animal rights to climate change and marine pollution. Furthermore, environmentalism also offers a fashionable cloak for special interests, such as protectionist lobbies and campaigners opposed to economic growth and technological progress.

But there are signs that some differences in the debate may be narrowing. A joint study last year by trade, environment and development experts for Canada's International Institute for Sustainable Development concluded that, far from undermining sound green principles, free trade actually reinforced them. For instance, cutting Germany's large subsidies for its brown-coal industry would stimulate imports of cleaner fuels that are cheaper to produce.

However, discussions so far in the WTO's Committee on Trade and Environment suggest that efforts to move beyond economic theory to concrete policy face many hurdles.

One of the committee's main concerns is how to treat multilateral environmental agreements which provide for trade sanctions to compel compliance. Among the best-known example is the Montreal protocol, banning CFCs, the gases used in aerosols and refrigerators.

Such sanctions could flout trade rules. Some governments fear that if the WTO legitimised them, it would soon face pressure to enforce them – an anomalous role for an organisation dedicated to dismantling economic barriers.

It would be trickier still for the WTO to handle agreements, such as the toxic waste accord, which many members had not signed. To endorse trade measures against them could be highly divisive and threaten the body's cherished principle of consensus.

Nonetheless, some WTO members are ready to consider amending its rules or granting temporary waivers for such agreements. However, most developing countries would agree only if rich economies renounced all national environmental policies which affect trade.

That seems unlikely to happen soon. National and regional measures continue to multiply across areas including packaging, product labelling, animal conservation, and industrial pollution.

Many environmentalists say world trade rules are biased against countries with high standards, exposing their industries to unfair competition from producers which have lower costs because they operate in countries with laxer rules.

Developing countries disagree. Mr Raul Jungmann, head of Brazil's National Institute for the Environment, says the advantage lies with producers in rich countries, which can afford to meet high standards demanded by consumers.

Closely linked with this issue is an even more thorny controversy over what trade measures countries may take to support environmental priorities. The WTO allows products which pose health and safety hazards to be banned. But it is under pressure to extend that right to imports which involve environmentally damaging processes and production methods.

The distinction between products and the processes used to make them is "absurd" and impedes effective action to control cross-border pollution, according to Mr Duncan Brack of the UK's Royal Institute of International Affairs: "The most serious environmental problems, including pollution from energy use, are probably associated with production processes."

However, many trade policymakers argue that to permit discrimination against processes could erode legitimate differences between economies' cost structures and weaken the principle of comparative advantage which underlies international trade.

The WTO committee also faces other, more specific, demands. Argentina, for instance, wants a formal acknowledgement that farm subsidies harm the environment, while Switzerland wants to be allowed to limit transit traffic without paying compensation.

Given the emotive nature of trade and environment issues, it is remarkable that the debate has not split the WTO along north-south lines. One reason is that many developing countries' concerns are shared by resource-rich members, such as Canada and Australia.

Another is that some industrialised countries have recently scaled back more ambitious plans for environmental legislation. The EU has shelved a proposed carbon tax, while the Republican-controlled US Congress strongly opposes the green policies favoured by the Clinton administration.

Few observers in Geneva believe, however, that this trend is permanent. Passions could also be re-ignited by decisions of the newly strengthened WTO disputes panels on controversial cases, such as Venezuela's complaint that the US is using clean-air rules to discriminate against its oil exports.

But many trade diplomats also warn against expecting too much from the WTO. They say it is not equipped to discharge all the environmental responsibilities being thrust upon it, and has ended up handling them only because no better international forum exists.

Some green activists such as Mr Daniel Esty, a former US government official, agree. Unlike the mechanisms of the world trade community, he says, "management of international environmental affairs has little structure and is marked by policy gaps, confusion, duplication and incoherence".

His answer is a global environmental organisation, with as strong a remit for managing environmental affairs as the WTO enjoys in multilateral trade. The proposal, he admits, is utopian. But until environmental decision-making develops a more mature framework and more focused objectives, the differences in the debate may remain hard to bridge.

A range of products originally intended for horses has found favour with humans, says **Richard Wolffe**

Shampoo becomes the mane event

They say that dog owners eventually look like their pets, but horse owners in the US seem to have taken the four-legged likeness to extremes.

Six years ago Straight Arrow, a Pennsylvania-based company which manufactures horse grooming products, began to notice a curious trend among its customers. Instead of applying the horse shampoo and conditioner to their animals, owners and stablehands were using it on themselves.

Mr Roger Dunavant, chief executive, noticed the trend when he went to horse shows. "For two years our only marketing was to keep giving away 4oz-samples at every horse show we went to," he says.

"I would make enough samples to take to the shows. The next thing I knew, I would go to a show and there would be 100 people waiting for me."

It was only when the mother of two stablehands in Kentucky called Straight Arrow that the company finally realised what was going on.

They believed that the protein-rich animal cosmetics would make their hair as glossy as a horse's mane, and the mother was inquiring whether the horse products were safe for her daughters. Laboratory tests gave a positive response.

The story of humans using horse cosmetics soon spread through local newspapers and radio stations. Market research in 1992 finally revealed that 10 out of 12 bottles ended up in a bathroom rather than a stable.

After discussions with the US Food and Drug Administration about labelling, the company began to develop a cross-marketing strategy. The FDA felt the instructions for horses – "Put two ounces into a bucket" – were not relevant to human beings, so the company rewrote the label and added a list of ingredients.

The result, two years ago, was the development of three brands built around the same products. Horse feed and tack shops stocked original Mane 'n Tail, while chemists sold the same products called Conceived by Nature. Hairdressers received a third brand called Equenne.

This year saw the first distinction between the animal and human products. Mr Dunavant says: "The only thing we have changed is the fragrance. It was green apple, which was meant to keep the flies off the horses. But humans said they did not have a problem with flies, and asked if we could make a fragrance that would go away. They wanted to use their own cologne."

> 'We have changed the fragrance. It was green apple, to keep flies off the horses. But humans do not have a problem with flies'

After the original three products – shampoo, conditioner and hand and nail cream – the company repackaged a wide number of products. Today's Straight Arrow range includes an anti-bacterial nail revitaliser, hair styling gel and spray, and a leather cleaning product.

More recently, the company has developed an insecticide towel for fishermen to ward away mosquitoes, as well as the same product for dogs.

In the space of six years the company's turnover has grown from $500,000 to $50m, largely by distributing the products through chains such as Wal-Mart. But the scale of the expansion led to production problems at the company's base in Allentown, Pennsylvania.

"Our problem was not getting in, but making enough products to supply the orders," says Mr Dunavant. "We found ourselves in almost 20,000 outlets, and we had a three- or four-month backlog for two years.

"We would never buy a piece of equipment until we could pay for it. We have just completed a $5m expansion in Allentown and we are still debt-free. We now have facilities in Arizona and Canada, as well as Allentown, and are finally big enough to keep up with our orders."

Straight Arrow now distributes its horsey cosmetics through Boots in the UK, and already sells its range in South America, Australia and New Zealand.

The expansion has led the company to venture into spending cash on advertising this year for the first time. With a budget of $7.5m, Straight Arrow advertises in magazines such as Good Housekeeping and Cosmopolitan, and uses in-store promotions in chemists. The company admits that its success is partly due to the demand for "natural" beauty products.

Like many other companies, Straight Arrow declares that its products have never been tested on animals. But the company is able to make the statement with a twist of its own. "It is not animal-tested," says Mr Dunavant. "It is animal-proven."

OBSERVER

Fresh light on Mattei affair

■ We might be a little way closer to knowing the truth behind the mysterious death of Enrico Mattei, the chairman of ENI, Italy's national oil company, who was killed in a plane crash in 1962.

Following a magistrate's decision in June to exhume Mattei's body – at the request of his family – forensic scientists have uncovered what they claim to be traces of explosive. If fully proven, this means Mattei died because his private aircraft was sabotaged.

At ENI the official line has always been that his death was accidental. But the family has never accepted that, and suspects Mattei was murdered. Mattei's aggressively buccaneering leadership at ENI, arranging oil concessions on terms unprecedentedly favourable to host governments in the Middle East, had put him on a collision course with the "Seven Sisters" – the seven big international oil companies.

Last year Tommaso Buscetta, the most prominent member of the mafia to cooperate with justice under a witness protection programme, said Mattei had been killed by a bomb planted by the Sicilian mafia at the request of the American mob. Mattei was killed on October 26, only a few days before he was due to fly to the US and meet John F. Kennedy.

This latest light on the affair comes just as ENI is about to undergo its biggest metamorphosis – privatisation – since the Mattei era. Hectic discussions are going on with ENI's financial advisers to fix a price and the size of the offering; though it could yet be derailed by Italy's latest government crisis.

Poisoned apple

■ Trust New York to spoil the United Nations' 50th birthday party. Just as President Clinton was strutting the stage as the leader of the free world, New York City's mayor, Rudolph Giuliani, was showing who really calls the shots.

On Monday Giuliani was attending a UN anniversary concert at New York's Lincoln Centre with 2,000 other guests when he spotted Yassir Arafat, chairman of the Palestine Liberation Organisation. Arafat had a ticket but Giuliani ordered his men to remove him on the grounds that he was not a head of state.

Given that the two men were about to sit down to listen to the New York Philharmonic's rendition of Beethoven's Ninth symphony, containing the message of international peace and brotherhood in its Ode to Joy, it was all rather sad.

The White House was distressed by the incident and insisted that Arafat, as leader of the Palestinian people, should have been given the respect the Palestinian people deserve. Giuliani was unimpressed and said that he was "very proud" of his decision.

The mayor, who presides over a city with the largest Jewish population in the US, said it didn't matter to him that Arafat had won the Nobel Peace prize and was twice invited to the White House. Strangely Giuliani's hatred of former terrorists did not extend to refusing to welcome Sinn Féin's Gerry Adams when he visited New York earlier this year. But then there are probably more Irish in New York than there are in Ireland.

Pushy Fokker

■ A bit of a dogfight is breaking out between the Netherlands and Germany's mighty Daimler-Benz. The casus belli is the financial future of Fokker, the Dutch aircraft builder that passed into German control in 1993.

The Dutch government has turned for help to Floris Maljers, a veteran of two of the country's own biggest multinationals. Maljers, former chairman of the Dutch arm of Unilever and now supervisory board chairman of Philips, will negotiate alongside Hans Wijers, the Dutch economic affairs minister. The Dutch, minority shareholders in Fokker, want the Germans to bear the brunt of the needed capital injection. Unsurprisingly, the Germans are pressing the Dutch to cough up as much as possible.

Wijers, a former management consultant, says he sought out Maljers as an external adviser to help him weigh up the options in what he describes as a "sensitive dossier". Maljers, whose business experience will now be expanded to aeroplanes from his core competence of margarine, soap powder and ice cream, will focus on the "industrial and social aspects" of Fokker's rescue package. But in the end, it will be Wijers who takes the flak if the talks turn sour.

Election fever

■ Willie Whitelaw, the former British home secretary, who accused government critics of "stirring up apathy around the country" has met his match.

Picking up yesterday's Johannesburg Star you could read how: "With a week to go before local government elections, political parties are pulling out all the stops to reverse a tidal wave of apathy standing in the way of a massive voter turnout."

Observer can't help wondering how the Star will deal with the actuality of apathy at next Wednesday's poll. How about: "A nightmarish air of normality gripped South Africa today as local government elections were battered by a hurricane of indifference which left voters becalmed in a massive stay-away," writes Our Man at a Deserted Poll Station in Soweto North?

The Financial Times

100 years ago

Appeal to the workers
Mr Thomas Tyrer, president of the Society of Chemical Industry, writes us from New York regarding the probability of a strike among the Clyde and Belfast shipbuilders. Having recently paid a visit to some leading ironworks in the United States, and having seen the expert manner in which they were able to turn out turret-plates, guns and carriages and crank-shafts, not only for the United States, but for Russia and other Continental powers, he utters an earnest protest against such a suicidal policy as a strike in Great Britain for higher wages on the ground on improving trade, which would simply result in the transference of that improving trade to America.

50 years ago

Rumania pays in oil
A considerable part of Rumania's reparations to the Soviet Union is being paid in oil from British-American-owned wells in the country. Almost 50 per cent of the total Rumanian payments to Russia are being made by the oil industry, and half of all these oil products come from Allied properties. The companies claim they are receiving prices below the cost of production.

FINANCIAL TIMES
Thursday October 26 1995

Rejection a blow to hopes of meeting Emu criteria

Spain's parliament votes down budget for 1996

By David White in Madrid

Spain's Socialist government yesterday suffered the unprecedented indignity of having its annual budget rejected by parliament.

All parties, except the Socialists who are 17 seats short of a majority, voted to send the 1996 draft budget back to the government. This means the current budget will have to be carried over into next year.

Mr Pedro Solbes, finance minister, warned that the budget rejection, which had been expected, would make it "more difficult but not impossible" for Spain to meet the criteria for European monetary union.

Financial markets had already accepted the defeat. The peseta held steady yesterday and stock prices rose.

The 183-158 vote, with one abstention, was the first budget defeat since the restoration of democracy in the late 1970s, and the socialists' first loss since they came to power 13 years ago.

Last week, the government lost a vote for the first time in the Senate when it failed to prevent an inquiry into the "Gal" case – involving an alleged state-directed murder and kidnap campaign against Basque terrorists.

Warning of the budget defeat came six weeks ago when Catalan nationalists withdrew their backing for the government in an effort to force elections. The Catalan party, ending a two-year parliamentary alliance, said the government had been discredited by claims of complicity in the Gal case.

Conservative, Communist and regional opposition parties yesterday called on Mr Felipe González, the prime minister, to bring forward the general election. He has already promised it for March, more than a year ahead of schedule. Mr José María Aznar, leader of the conservative Popular party, said the prime minister had "lost the confidence of the house" and should dissolve parliament immediately.

But Mr González insisted he would stick to his March timetable in order to finish "seriously" the country's six-month term in the European Union presidency and introduce a new penal code. The latter is the government's last important piece of legislation.

Under the constitution, failure to approve a new budget automatically triggers a roll-over of the previous budget. The government plans a decree to adjust inflation-linked pensions and civil service salaries. Tomorrow, the cabinet is expected to draw up spending cuts to cover these increases and additional debt servicing costs.

The clash has delayed prospects for a cut in official interest rates, which Mr Solbes suggested might have been possible in September.

He warned that rejection would create "an element of risk and uncertainty", but Catalan leaders said "nothing serious" need happen to the economy.

Spain may well go through 1996 without a new budget.

Siemens and Motorola link up to build US chip plant

By Louise Kehoe in San Francisco and Paul Taylor in London

Siemens of Germany and Motorola of the US, two of the world's largest electronics groups, are to build a plant in the US to make advanced memory chips.

The joint venture project, expected to cost about $1.5bn initially, is the latest of several recent investment announcements from the world's leading semiconductor manufacturers, which are racing to build plants to meet soaring demand.

The two partners will split the cost of the plant, which will build 64 megabit and 256Mb dynamic random access (D-Ram) chips – data storage devices widely used in computers and other electronics equipment.

Mr Ulrich Schumacher, head of Siemens' integrated circuit operations, said the joint venture would reduce the risks of the project and enable the German group to press ahead with the expansion of its semiconductor operations. Other recently announced Siemens investments, including a planned £1.3bn ($2bn) facility near Newcastle upon Tyne in northern England had created manpower constraints.

The new plant is Motorola's first large investment in D-Ram production in several years. Its current involvement in the D-Ram market is limited to a joint venture with Toshiba in Japan. Motorola's share of the world D-Ram market has dwindled to about 2 per cent, from about 6 per cent three years ago.

Siemens and Motorola have still to identify a site for the new plant, which is expected to provide between 1,200 and 1,300 jobs. Construction will begin in 1996, with production due to start in 1998.

Mr Bud Broeker, Motorola vice-president and general manager of dynamic memory products, estimated that the total output of the plant would account for about 2 per cent of the world D-Ram market. This suggests that the transition from the current generation of 16Mb D-Rams to 64Mb D-Rams could drive industry-wide investment in new D-Ram plants to about $75bn over the next few years.

Total capital spending by the world semiconductor industry is estimated at about $35bn this year and is projected to rise to at least $40bn in 1996, said Mr Brian Matas, an analyst at Integrated Circuit Engineering, a US market research group.

Motorola joins microchip consortium, Page 6

Commissioner

Continued from Page 1

until MEPs receive clarification about commissioners' trips and engagements involving fees.

Mr Santer appears to have emerged with his authority enhanced, after handling Mrs Bjerregaard with minimal fuss.

Mr Erling Olsen, a former Social Democrat colleague of Mrs Bjerregaard and speaker of the Danish parliament, said withdrawal of the diary would not help her. "You can't withdraw a book retroactively. The damage has been done."

Banco di Napoli loses $965m

Continued from Page 1

treasury and Bank of Italy will be forced to call on other banks to help rescue Banco di Napoli. A number of Italy's profitable banking groups – including Banca Commerciale Italiana, based in Milan, and Rome-based Imi – have denied involvement in plans to prop up the bank.

Banco di Napoli has suffered from its heavy exposure to small companies in southern Italy, the area of the country worst-hit by recession. Attempts by supervisors to clean up the Naples bank were held up because of the powerful political interests in play.

The Naples bank said yesterday that its equity base was still strong. After absorption of the first-half losses, the bank's net equity will come down to L2,117bn, compared with L3,584bn at the end of 1994.

The board laid out the broad aims of the restructuring plan, including a return to financial equilibrium and competitive management, and said it wanted to retain its local identity and "historical mission" of financing Italy's poor southern regions.

OECD to swallow its own fiscal medicine

By Gillian Tett, Economics Correspondent, in London

After years of extolling the need for budget cuts and labour market flexibility, the Organisation for Economic Co-operation and Development is tasting its own medicine.

A looming budget crisis is threatening to reduce jobs at the group for the first time in the organisation's 30-year history.

The OECD council is due to meet today to discuss its budget. But the financial pressures are already plunging the group into protracted wrangles about how to cut research programmes.

The problems at the OECD, which serves as a meeting point and research centre for 25 of the world's leading industrialised nations, have been triggered by US plans to reduce contributions to international organisations.

The US Congress and government are still negotiating the size of any overall reduction, which is part of a broader cut in the US budget and which could affect international groups ranging from the United Nations to Nato.

As Mr David Aaron, US ambassador to the OECD, pointed out, it remains unclear how the cuts will be spread between different organisations. "This is a situation of maximum uncertainty," he said.

Nevertheless, any reduction is likely to squeeze the OECD's budget significantly. The budget has been broadly flat in real terms in recent years. The US contribution accounts for a quarter of the FFr1.7bn ($348m) total.

There are fears within the OECD that the US move could trigger further reductions by other countries which are imposing government expenditure cuts – in line with economic advice from the OECD.

Under the organisation's regulations, the US is legally obliged to meet its commitments for the 1995 budget. However, it has not yet paid this money and its ability to pay will be reduced if Congress imposes severe reductions.

The looming squeeze could trigger a bitter battle in the months ahead about the OECD's priorities. Some OECD members, such as the UK, are demanding that the organisation should abandon its peripheral programmes like tourism and focus only on its core forecasting and statistical programmes. However, this is likely to be resisted by other, smaller countries.

Meanwhile, with 85 per cent of the OECD budget accounted for by staff costs, most diplomats and staff are already assuming that budget cuts will reduce numbers. As one OECD official said: "Job cuts are not really something we have had to worry about before. It certainly has changed the atmosphere."

THE LEX COLUMN

Media manoeuvres

Yesterday's FFr4.7bn ($961m) media deal between Havas and Alcatel Alsthom is a tidying-up exercise. Given that both French groups' portfolios are rather messy, that is not to be sneezed at. But the grander proclamations about Havas creating a communications business with international clout belong to the realms of rhetoric.

For Alcatel, the agreement to swap its publishing assets for a 21 per cent stake in Havas offers a partial exit route. Past claims that book publishing and telecoms manufacturing made natural bedfellows stretched the hype surrounding multimedia beyond belief. It is, of course, disappointing that Alcatel is receiving Havas shares rather than cash and that those shares are being valued at 10 per cent above Havas' last market price. But the telecoms group probably had little alternative, given that Havas had preemptive rights over most of the assets anyway. And it is good to see Alcatel's new management reversing some of the errors of the past.

For Havas, the deal has the obvious attraction that it will gain full control of some attractive media assets without paying cash. The cascade shareholding structure in the publishing side of its business has also been simplified. But the bigger questions overhanging its broadcasting interests – where its stakes in Canal Plus and CLT are ensnared in a similar cascade shareholding structure – have not been addressed. Until they are, concerns that Havas lacks a clear strategy, which are responsible for its languishing share price, will remain.

FT-SE Eurotrack 200:
1499.0 (+8.2)

Volkswagen

They are making it in Mexico and talking about it in Tokyo. In Germany, a supermarket chain that offered a few hundred cheaply as part of a promotion sold out of its stock in two days.

This is not the latest pair of designer jeans, but Volkswagen's Beetle, a car first produced in 1934. It is already the most successful model in history, with more than 21m sold. Now the German car manufacturer wants to capitalise on the Beetle's perennial appeal by launching a look-alike successor, dubbed the Concept 1. Mr Ferdinand Piëch, VW chairman, announced at Tokyo's Motor Show yesterday that the first units could be rolling off the production line by 1998.

While the Concept 1 will not be produced in sufficient volumes to make much difference to VW's fortunes, it demonstrates the group's skill at milking existing brands. The group's nine-month figures further demonstrate this ability, with the revamped Polo and Audi A4 models helping to reduce VW's reliance on the Golf. Third quarter sales increased by nearly 16 per cent, up from a 6 per cent growth rate in the first quarter. Moreover, pre-tax profits of DM948m ($682m) are more than three times last year's level. Even after highly conservative tax provisions, the group made a net profit of DM185m compared with a loss at the same stage in 1994. The company is steadily increasing market share and on current form, VW looks set to continue to outperform a static European car market.

UK accounting

The Accounting Standards Board's new rules on disclosing deals between connected parties are not going to prevent the particular type of fraud they are designed to combat. A determined wrongdoer will simply not report such transactions. Moreover, existing company law and Stock Exchange rules already cover many of the potential weak spots such as loans made by companies to their directors. Since it is uncertain how much of this kind of abuse occurs, the new rules risk creating extra red tape for little benefit.

That said, the move to greater openness should do some good. Investors naturally assume that transactions disclosed in accounts have been made at arms' length and fair value. Where there is any suspicion that this may not be the case, such as an asset sale between two companies controlled by the same group, shareholders have a right to know.

The board has also gone further than current law. It has widened the definition of related parties to include, for example, top managers as well as directors and all members of directors' households rather than just their spouses and children. The new standard also stipulates that a deal must be disclosed if it is material to either party.

The greatest effect is likely to be among smaller, family-run companies where auditors and banks have been crying out for more disclosure. For larger companies, the ability to eliminate intragroup transactions on consolidation of accounts should at least limit the reporting burden.

UK gilts

Yesterday's Bank of England gilt auction was always going to be an improvement over last month's embarrassing unpopular offering. September's under-subscribed auction took place at a time of currency market turmoil. And it was further tarnished by escalating fears of a rising public sector borrowing requirement as the government went further adrift of its forecasts.

This time round, the gap between yields on gilts and German bunds had widened by almost 30 basis points – the biggest since early 1993. This looked excessive, since it suggests an inflationary outlook that was not apparent in the latest gross domestic product figures and Tuesday's gloomy Confederation of British Industry survey. Furthermore, it is fair to assume that the Bank of England was more aggressive in selling the latest offer, given the potential humiliation from a second failure.

Yesterday's subsequent narrowing of the yield gap should have further to go. The market is still assuming that Mr Kenneth Clarke, the chancellor, will present a politically expedient budget where vote buying through tax cuts gets the better of fiscal caution. Nonetheless, it is likely that any "give-aways" will be more than matched by spending cuts. And even if the government over-runs next year's projected borrowing target by 50 per cent, the PSBR would amount to only 3 per cent of GDP. Such a downbeat scenario would still leave the UK in a pretty exclusive European club. Even if it does not want the "privileges" of membership, namely monetary union, there should be benefits for gilt yields.

Lex comment on Littlewoods, Page 24

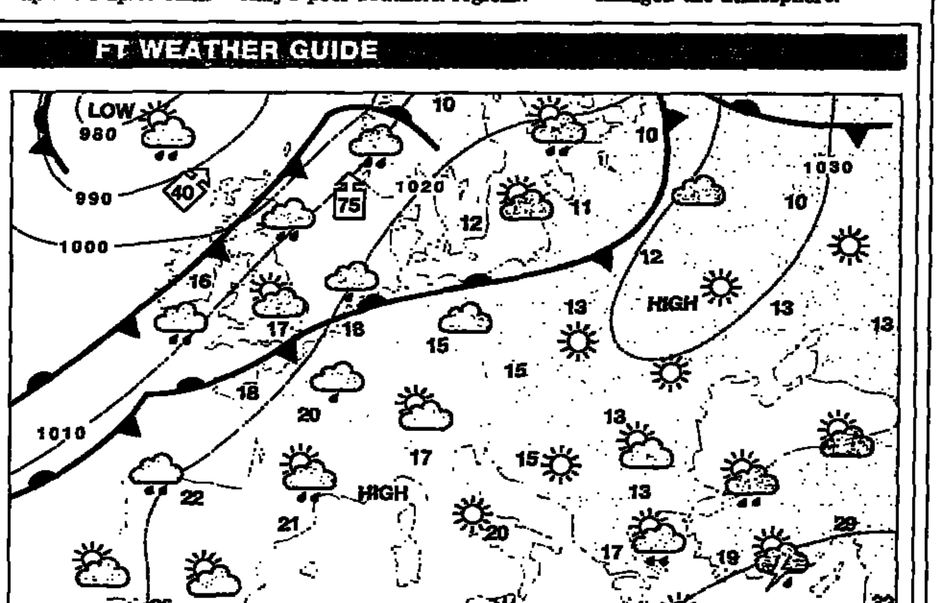
FT WEATHER GUIDE

Europe today

A westerly flow will push significantly colder air into western Europe, producing cloud and rain at the leading edge of the air mass. Scotland, Ireland and northern England will have rain but sunny spells will continue in southern England. Western Scandinavia will have plenty of rain and northern France, the Benelux and northern Germany will have showers. Elsewhere in France and in southern Germany, the Alps and much of Spain, it will be mainly dry with sunny spells. South-east France and north-east Spain will have rain or thunder showers. The south-eastern Balkans will have rain and thunder. The western Balkans will stay sunny.

Five-day forecast

Temperatures will drop during the next couple of days over much of Europe as colder air expands. The north-west Iberian Peninsula, France, the Benelux, Germany and Scandinavia will have cloud and rain tomorrow. The north-west British Isles will continue to be affected by a series of disturbances this weekend, resulting in abundant rain. The rest of the UK will stay mainly dry with sunny spells.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	sun	19	Caracas	fair	31	Faro	fair	23	Madrid	fair	21	Rangoon	fair	32
	Celsius		Belfast	rain	15	Cardiff	rain	15	Frankfurt	fair	19	Majorca	sun	23	Reykjavik	cloudy	4
Abu Dhabi	sun	33	Belgrade	sun	14	Casablanca	fair	26	Geneva	fair	17	Malta	sun	22	Rio	fair	29
Accra	fair	30	Berlin	fair	15	Chicago	sun	18	Gibraltar	fair	22	Manchester	shower	17	Rome	sun	20
Algiers	sun	25	Bermuda	fair	27	Cologne	drzzl	20	Glasgow	rain	16	Manila	fair	30	S. Frsco	sun	22
Amsterdam	shower	17	Bogota	fair	20	Dakar	fair	31	Hamburg	cloudy	16	Melbourne	fair	19	Seoul	sun	20
Athens	shower	17	Bombay	fair	34	Dallas	cloudy	24	Helsinki	fair	9	Mexico City	fair	18	Singapore	shower	32
Atlanta	sun	22	Brussels	drzzl	16	Delhi	sun	30	Hong Kong	fair	29	Miami	sun	29	Stockholm	sun	12
B. Aires	shower	19	Budapest	sun	14	Dubai	sun	33	Honolulu	fair	31	Milan	fair	18	Strasbourg	fair	19
B.ham	shower	16	C.hagen	fair	12	Dublin	rain	16	Istanbul	shower	16	Montreal	fair	12	Sydney	shower	22
Bangkok	shower	33	Cairo	sun	32	Dubrovnik	fair	18	Jakarta	shower	32	Moscow	fair	11	Tangier	fair	25
Barcelona	shower	21	Cape Town	fair	17	Edinburgh	rain	17	Jersey	fair	17	Munich	sun	15	Tel Aviv	sun	32
									Karachi	sun	38	Nairobi	fair	26	Tokyo	fair	19
									Kuwait	sun	32	Naples	sun	20	Toronto	shower	12
									L. Angeles	sun	26	Nassau	sun	30	Vancouver	fair	18
									Las Palmas	sun	28	New York	sun	16	Venice	fair	18
									Lima	cloudy	20	Nice	shower	20	Vienna	sun	14
									Lisbon	fair	24	Nicosia	fair	28	Warsaw	fair	13
									London	shower	17	Oslo	rain	12	Washington	sun	21
									Lux.bourg	cloudy	18	Paris	drzzl	20	Wellington	cloudy	16
									Lyon	fair	21	Perth	sun	29	Winnipeg	cloudy	7
									Madeira	cloudy	24	Prague	fair	13	Zurich	sun	15

هكذا من الأصل